Public Utilities

FORTNIGHTLY

Volume LI No. 3 January 29, 1953

PUBLIC UTILITIES REPORTS, INC., PUBLISHERS

White 3000 Case Study

Versatile WHITE 300 Saves Aerial Servicing Time

HERE IS the entirely new *kind* of truck that is functionally designed for more work . . . in less time . . . at lower cost. The White 3000 adds new efficiency to light and power maintenance operation because it is engineered to exact work requirements.

For example, this aerial unit is ideal for street light maintenance, inspection and maintenance of aerial cable, tree-trimming, street light bulb replacement and emergency overhead work.

The White 3000 design provides better weight distribution because weight has been shifted forward . . . low frame height gives added stability and permits greater reach and rigidity.

The White 3000 can be engineered to your exact needs. Ask your White Representative for full information.

ower installation to the rear of
e rear axle on the White 3000
made possible by ideal weight
istribution that permits elevat-
d height of 35 feet. Unit has
47 in. wheelbase and saves
aneuvering time on the job.

White

THE WHITE MOTOR COMPANY

Cleveland 1, Ohio

FOR MORE THAN 50 YEARS THE GREATEST NAME IN

Public Utilities FORTNIGHTLY

VOLUME LI JANUARY 29, 1953 NUMBER 3

ARTICLES

FEATURE SECTIONS

PUBLIC UTILITIES FORTNIGHTLY.. stands for Federal and state regulation of both privately owned and operated utilities and publicly owned and operated utilities, on a fair and nondiscriminatory basis; for nondiscriminatory administration of laws; for equitable and nondiscriminatory taxation; and, in general—for the perpetuation of the free enterprise system. It is an open forum for the free expression of opinion concerning public utility regulation and allied topics. It is supported by subscription and advertising revenue; it is not the mouthpiece of any group or faction; it is not under the editorial supervision of, nor does it bear the endorsement of, any organization or association. The editors do not assume responsibility for the opinions expressed by its contributors.

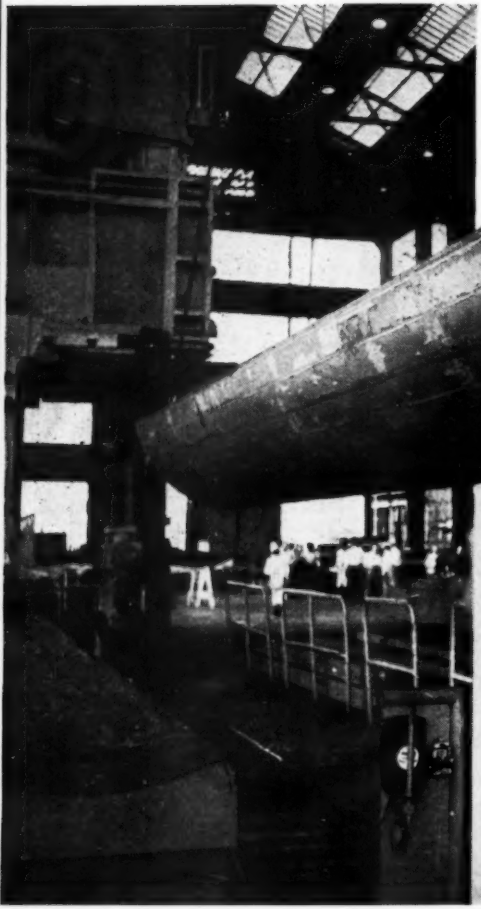
$1.00 *a Copy*
26 Issues a Year
Annual Subscription Price
United States and possessions $15.00
Pan American countries $15.00
Canada $16; all other countries $17.50

PUBLIC UTILITIES REPORTS, INC., PUBLISHERS
Publication Office.....CANDLER BLDG., BALTIMORE 2, MD.
Executive, Editorial, and Advertising Offices..MUNSEY BLDG., WASHINGTON 4, D. C.

Entered as second-class matter April 29, 1915, under the Act of March 3, 1879, at the Post Office at Baltimore, Md., Dec. 31, 1936.

Address all communications concerning the FORTNIGHTLY *to the publishers at Munsey Building, Washington 4, D. C.*

BIG "NEWS" at B&W



This mammoth draw bench installed by Babcock & Wilcox introduces into America a unique method for faster forming of headers and other seamless hollow forgings for the high pressure and temperature conditions in modern steam generating units. This method uses less steel, is quicker and more flexible than previous procedures . . . heavy-wall piping and hollow boiler parts up to 35 inches outside diameter with 4½-inch walls and 22 feet long are forged with great speed.

Huge steel plates 42 feet long are formed into sections of massive boiler drums on a new press installed by Babcock & Wilcox. Largest ever built for this purpose, the press is speeding fabrication of power plant boilers by considerably reducing total plate bending time and permitting use of fewer and larger boiler drum sections, thus eliminating welding and X-raying of additional seams required when smaller plates are used. The new press, designed and under construction in advance of the electric companies' record power expansion, bends thicker boiler drum plate than does any other equipment now in operation, and enables B&W to build steam generating units for the highest pressure and temperature conditions that may be anticipated.

Highlighting a multi-million dollar expansion program at Babcock & Wilcox are two new giant machines to speed production of steam generating equipment for America's electric companies. Along with other new production facilities, more trained personnel, and three additional plants, these new machines are geared to forecasts of, and B&W's faith in, power's future.

BABCOCK & WILCOX

G-578T

LIKE any other erstwhile tabby kitten which has grown to tigerish proportions, the problem of so-called "creeping Socialism" is more easily deplored than corrected. People who don't like Socialism in America—and that probably means most of us if we have thought very seriously about it—find good reason to be concerned over the steady march of Uncle Sam into the sphere of private business.

BUT when we get down to the brass tacks question of arresting this movement, and correcting the encroachments which have taken place, we find a number of different plans. They are so varied that the whole idea of doing something about creeping Socialism could fail for the old familiar reason of too many cooks. This is not to imply that there is already an ideal plan. But it would seem that a number of approaches should be examined and an effort made to unite on the final decision.

FORMER Mobilization Director Charles E. Wilson, for example, had one excellent idea for turning government business ventures back into the tax-paying economy through an exchange of securities for defense bonds in the hands of private citizens. Representative Coudert (Republican, New York) has proposed a congressional investigation of somewhat similar action in the form of a Federal statute. Again, there is the indirect approach of putting a ceiling on the taxing powers of the Federal government through a constitutional amendment. This already has been approved by a number of states.

WILLIS E. STONE

THE opening article in this issue suggests a still more direct approach by constitutional amendment. It is an amendment which would provide simply that the government of the United States "shall not engage in any business, professional, commercial, or industrial enterprise in competition with its citizens except as specified in the Constitution." Maybe there are bugs in this approach, which do not appear on the surface. Maybe its very simplicity is illusory. But at least it is an idea entitled to a respectful consideration by a readership so concerned with the threat of socialistic encroachment as these people who are interested in utility industries.

THIS constitutional amendment suggestion has, at least, the virtue of a broad and unified counterattack. And as a matter of protection for private enterprise it would be one for all and all for one. Whether this proposal or any of the others, or a combination thereof, should be the final decision of those who want to get the government out of business remains to be seen. But at least there should be a decision and it should be a united one. With that thought in view, we publish herewith a frank plea by one of the leading proponents of the direct constitutional amendment approach.

WILLIS E. STONE, author of this article, is a direct descendant of Thomas Stone, signer of the Declaration of Independence. As an industrial market

analyst and a student of political economy, MR. STONE has spent his business life observing economic relations between business and government. MR. STONE is a resident of Los Angeles, California, and is president of the American Progress Foundation, which sponsors the Proposed 23rd Amendment. He is active in American Legion affairs and is a past deputy district governor of Lions clubs.

* * * *

PUBLIC utility commissions have no money for self-advertising. That is probably as it should be. But the fact remains that what publicity the commissions do receive is not in a very attractive form. The average citizen very likely learns about his commission these days through news items to the effect that the commission has allowed a utility company to charge a higher rate for its service.

IT was to remedy this somewhat unfair situation that one utility recently decided to give its commission a publicity break.

THAT is the story told in the article which begins on page 146 by BOARDMAN G. GETSINGER, JR. Born in Charleston, South Carolina, MR. GETSINGER attended the university of that state and served as a U. S. Army Air Force pilot in World War II, after earlier experience

BOARDMAN G. GETSINGER, JR.

HENRY F. UNGER

as a newspaper reporter in New England. He joined The Connecticut Light & Power Company at the end of the war and is now a member of that company's staff.

* * * *

YEAR-ROUND maintenance tasks of a telephone company line crew on the crest of the Great Divide is the topic to which HENRY F. UNGER, professional writer now living in Phoenix, Arizona, devotes his attention in the article beginning on page 159. The efforts required to keep telephone circuits in operation over the backbone of the continent are regarded by the author as little short of "heroic." The article is a tribute to all linemen who go about their duties in the face of bitter cold or other extreme weather conditions. In order to tell their story the author became acquainted with the crew, the service problems, and the terrain.

* * * *

IMPORTANT decisions, preprinted from *Public Utilities Reports*, may be found in the back of this issue.

THE next number of this magazine will be out February 12th.

The Editors

One operator does the work of two. One keyboard operates both machines because the card punching is synchronized with the accounting machine keyboard.

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- Cards thus produced can be tabulated for any distributions or analyses your business requires.

If you already own or rent Remington Rand Punched-Card Machines, Synchro-Matic will help you get even greater output from them. Or, you may contract the tabulating end of the job to Remington Rand Business Services — for convenient, and economical preparation of reports and statistics.

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Coming IN THE NEXT ISSUE

★

PUBLIC RELATIONS FOR PUBLIC SERVICE

The new Federal administration in Washington is being widely viewed as providing an opportunity for public utility industries to consolidate public relations. Frank C. Sullivan, well-known public relations consultant of San Francisco, California, suggests in this article that they might go further and "move into an aggressive position from the standpoint of advancing their interests and the interests of private enterprise generally." Whatever the direction the new administration takes, right, left, or center, the continuing necessity for private utilities of all kinds to strengthen and improve their cordial relations with the consuming public is apparent. Mr. Sullivan reminds us that administrations may come and go over the years, but the enterprise system and the utility business remain subject to the good will of the American public.

SHOULD THE PUBLIC PARTICIPATE IN THE REGULATORY PROCESS?

Can the criticism fairly be made that a regulatory commission even subconsciously decides rate cases on the basis that there are more voting utility customers than utility investors? Roger Arnebergh, who has had years of experience in handling matters before the California commission on behalf of the city of Los Angeles, gives us a positively negative reaction to such an unfair implication. He also explains why representatives of the public—meaning the utility consumers—have not only the right but the duty to participate in regulatory proceedings. He concludes that such participation, on the record, has been both beneficial and justified.

THE GREAT WHITE COAL MYTH

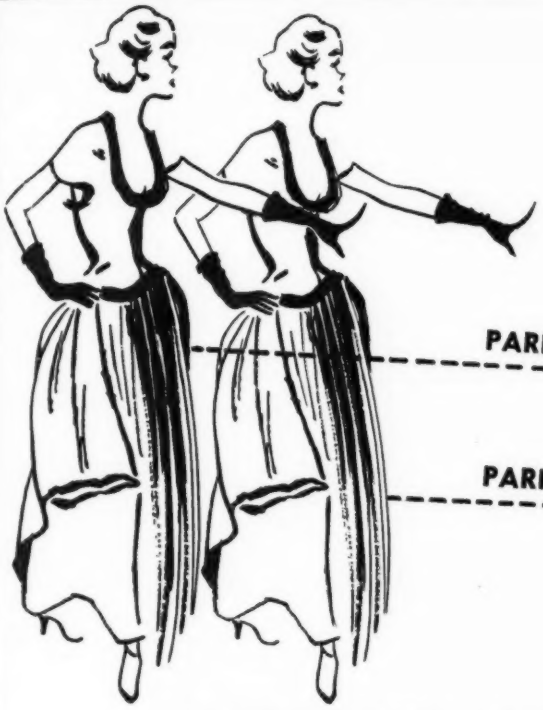
In recent years the budget demands of the Tennessee Valley Authority and other government power agencies have pretty well disposed of the old idea that the Federal government was chiefly concerned in developing cheap water power which otherwise would not be utilized. Before the end of next year more than half of TVA's generating capacity will be in steam plants using coal fuel. Other Federal and local government plants are following suit. Alfred M. Cooper, author of business articles, has analyzed this transition from hydro to fuel generation.

THE FULLER BRUSH MAN TAKES A UTILITY JOB

Door-to-door visits just ahead of "nuisance projects," such as pipeline laying, have made friends for a major natural gas pipeline company serving the Southwest, which recommends a pattern for other utilities. James H. Collins, whose chatty articles on business relations with the public and government frequently appear in this publication, gives us an informative description of "preparing the right of way" from the standpoint of public acceptance.

★

Also . . . ***Special financial news, digests, and interpretations of court and commission decisions, general news happenings, reviews, Washington gossip, and other features of interest to public utility regulators, companies, executives, financial experts, employees, investors, and others.***



WHY PAY DOUBLE?

No MATTER what you spend money for today, it pays to take a closer look at the price tags. There are, for instance, two ways of compiling an *identical* bill analysis.

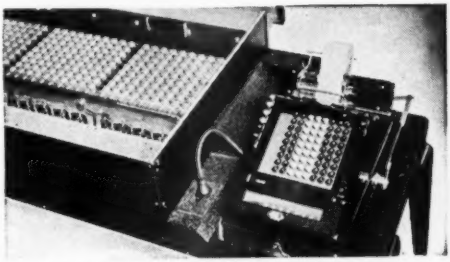
1. **The high-cost way.** You temporarily acquire, train and supervise a large clerical force. Completing the analysis job may take weeks; usually does.

2. **The low-cost way.** You simply call us in and we turn out the job in a relatively short time on specially designed Bill Frequency Analyzer machines. The cost to you is often ½ the expense of having the work done in your offices.

Send for the booklet, "The One Step Method of Bill Analysis," which tells more about this efficient and economical method of bill analysis.

P.S. If you use punched cards for billing, we are also equipped to make your analyses from them.

Saves 50% in time and money!



This Bill Frequency Analyzer—developed especially for utility usage data—automatically classifies and adds in 300 registers—in one step.

Recording and Statistical Corporation

100 Sixth Avenue, New York 13, N. Y.

Remarkable Remarks

"There never was in the world two opinions alike."
—MONTAIGNE

CRAWFORD H. GREENEWALT
President, E. I. du Pont de Nemours & Company.

"True democracy can flourish, only when it is out in the open."

J. BRACKEN LEE
Governor of Utah.

"You can't concede special favors to organized minorities without others paying the bill, and that just isn't right."

EDITORIAL STATEMENT
The Wall Street Journal.

"A wasteful government and depreciating currencies have never made any country prosperous. On the contrary they have wrecked as many countries as have the foreign invaders."

HENRY H. HEIMANN
Vice president, National Association of Credit Men.

"We have been hoping all these years for the time when government spending would be more reasonable. Now that it seems likely, why develop a fear complex? It would be more appropriate to give thanks."

LAURENCE F. LEE
President, Chamber of Commerce of the United States.

"We cannot reverse trends overnight. Much of the excess Federal spending, for example, is due to statutory provisions. We will find that we cannot cut spending in many areas until the laws are changed."

WILLIAM F. WRIGHTNOUR
Training director, U. S. Rubber Company.

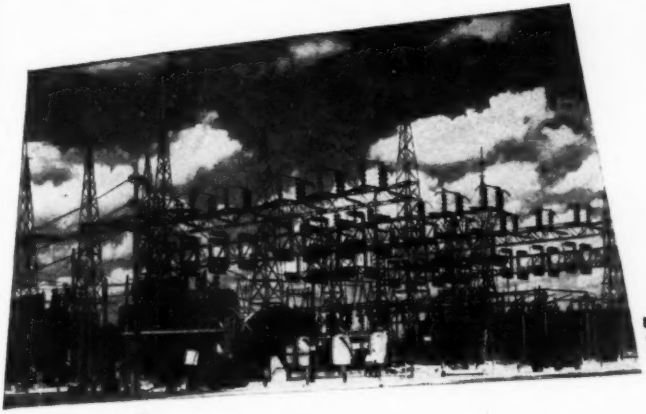
"... never forget that people are not numbers. Whether they're supervisors—one of the most forgotten and important groups in industry—or assembly line workers, they have goals, ambitions, desires, that change from day to day."

JAMES R. KILLIAN, JR.
President, Massachusetts Institute of Technology.

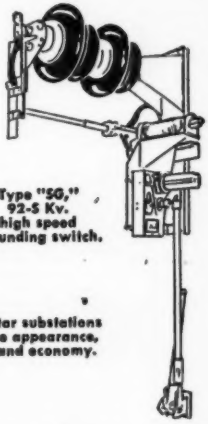
"Tax laws will have to recognize technological change and the vital importance of encouraging it. We shall have to find ways of increasing available venture capital. Labor as well as management will have to adjust to changing conditions."

JOHN FAIRCHILD SLY
Professor, Princeton University.

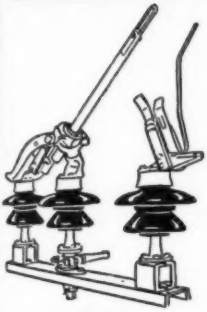
"Regulatory devices that can prevent the acquisition of equity capital, restraint, and distribution of profits, or prevent capital expansion are quite as effective control devices as *ownership*. If I may *control rates, earnings, determine taxes, establish exemptions, maintain minimum wage policies, and restrain the distribution of profits—you may have title to the deed.*"



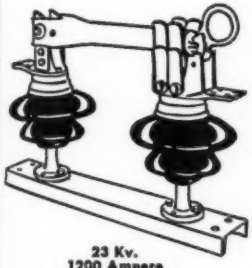
Delta-Star substations combine appearance, utility and economy.



Type "SG," 92-5 Kv. high speed grounding switch.



23 Kv. 600 Ampere "MK-40" single pole unit.



23 Kv. 1200 Ampere "B-2K" hook operated disconnect.

There is a Delta-Star product for every power switching requirement

CHECK THIS LIST!

- Group Operated Air Switches (Horizontal and Vertical Break)
- Disconnect Switches (Indoor and Outdoor)
- Outdoor Substations
- Bus Supports (Indoor and Outdoor)
- Cable Supports
- Terminators (Potheads)
- Power Connectors
- Conductor Fittings
- Metal Enclosed Buses
- Interrupter Switches
- Pipe Fittings (Uniclamps)
- Motor Operating Mechanisms
- Plugs and Receptacles
- High Speed Grounding Switches
- Crane Rail Supports

DELTA-STAR service is complete. Delta-Star Switches and Related Equipment are known and respected throughout the world for their advanced design and construction; sturdy, reliable performance under all conditions; simplicity, ease of installation and operation.

Get complete information on the items you are interested in. **Check this list.** Direct your inquiries to our nearest district representative or the factory. Complete information will be sent to you promptly.

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HARLAND C. STOCKWELL
Executive secretary, The Civic Federation of Chicago.

"As late as twenty years ago there was one government employee to about every forty of the population. Today there is one government employee to about every twenty-two of the population—and worse than this, there is one government employee to about eight of the working population of the United States."

D. A. HULCY
President, Lone Star Gas Company.

"We all know that men have sought security since the year one, and we all want security in one degree or another. We also know that absolute security is an absolute myth, but I suggest there is a way of approach to the security-minded youth of today. We can tell him that this risk-taking, uncontrolled economy of ours guarantees him the greatest measure of security that any people have ever known."

VANNEVAR BUSH
President, Carnegie Institution.

"The danger of a central bureaucracy which plans all our lives, and doles out what it thinks we need, is much more than that it will plan badly, although it undoubtedly will. The greater danger is to ourselves, that we will cease to think for ourselves, that we will not exert ourselves when only a drab mediocrity lies ahead, that we will substitute the arts of petty political maneuvering for virile self-reliance."

BEN MOREELL
President, Jones & Laughlin Steel Corporation.

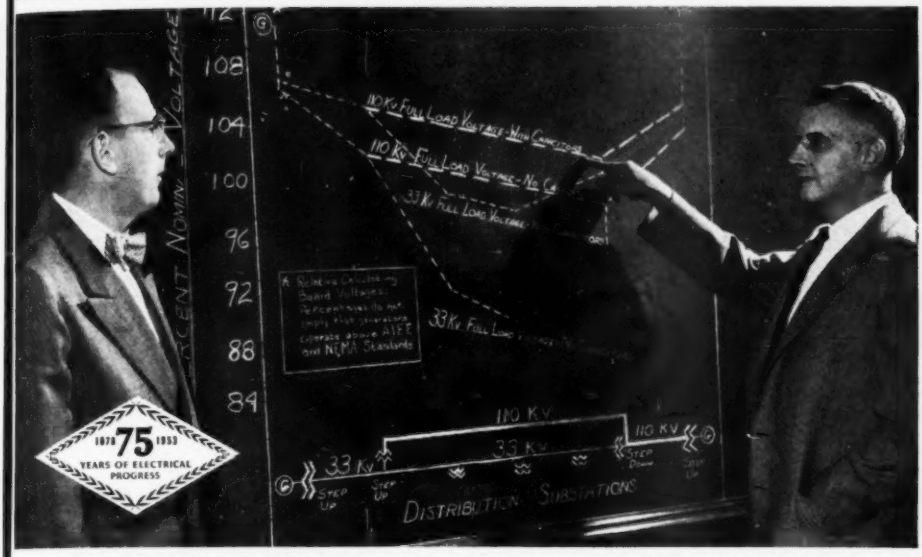
"We have the distressing picture of those in power traveling the length and breadth of the land, urging the people to ask for more—of the fruits of the sweat of other people's brows—telling them the government will do this for you, the government will do that for you; but always carefully neglecting to explain that *whatever is given is not something produced by government, but something taken away from someone else!*"

WILLIAM HENRY CHAMBERLIN
Columnist.

"On the surface the welfare state philosophy looks attractive. It seems to offer something for nothing, to make life easier for everyone without causing pain or discomfort to anyone. But this whole philosophy is based on one major false premise . . . that government is an inexhaustible financial horn of plenty. The truth is, of course, that government creates no wealth and derives its revenues either from taxing its citizens or from borrowing."

JAMES POPE
Executive editor, Louisville (Kentucky) Courier-Journal.

"If freedom of the press is to mean all it should, the government must keep its hands not only off the press but off the springs and channels of information that feed the press. Vast areas of public information are being shrouded behind a sort of red tape curtain. Of what value to citizens of a free society is a mass of printed material if it is empty of light; if those who collect and distribute the news are denied access to its sources, to the meetings and actions of government officials?"



VOLTAGE IMPROVEMENT obtained with switched capacitors is discussed by F. M. Reed, (right), System Planning Engineer for Pennsylvania Electric, and A. M. Dawson, G-E Sales Representative. Blackboard diagram summarizes effect of capacitors on system regulation.

G-E switched capacitors help regulate voltage on Penelec's whole system

120,000 kvar of capacitors give system-wide voltage-boost, release kilowatt capacity—reduce system investment.

To complement its generator bus regulation, the Pennsylvania Electric Company of Johnstown, Pa., has installed 120,000 kvar of switched capacitors. Within the next year, this will be increased to 150,000 kvar or 1 kvar for every 3.64 kw of its estimated 1953 peak load of 546,000 kw.

The automatically controlled capacitors assure adequate local generation of kilovars and provide a needed voltage boost on distribution circuits. But they do more than this.

By relieving transformer, transmission, and generating facilities of reactive load, the capacitors reduce voltage drop and improve voltage regulation throughout the entire system—as much as 20% at full load at the distribution level.

This permits the Penelec system to carry more kilowatts within the limits of good regulation. And since the cost of capacitors needed to release capacity is less than the cost of new capacity, the system investment per kilowatt is reduced.

G-E capacitors may prove economical on your system, too. For more information, get in touch with your local G-E Apparatus Sales Office. General Electric Company, Schenectady 5, New York. 441-1E

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THE CLEVELAND 80

LAYS PIPE

- High Capacity Side Crane
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- Fills Fast
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- Fits Wide Range of Trench Sizes

TAMPS FILL

- Thorough Compaction
- Practically 100% Automatic
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- Tamps, Fills, Travels, All at Same Time

CLEANS UP

- Fills From Either Side of Trench
- Eliminates Extra Equipment
- Saves Many Man-hours
- Fits More Jobs

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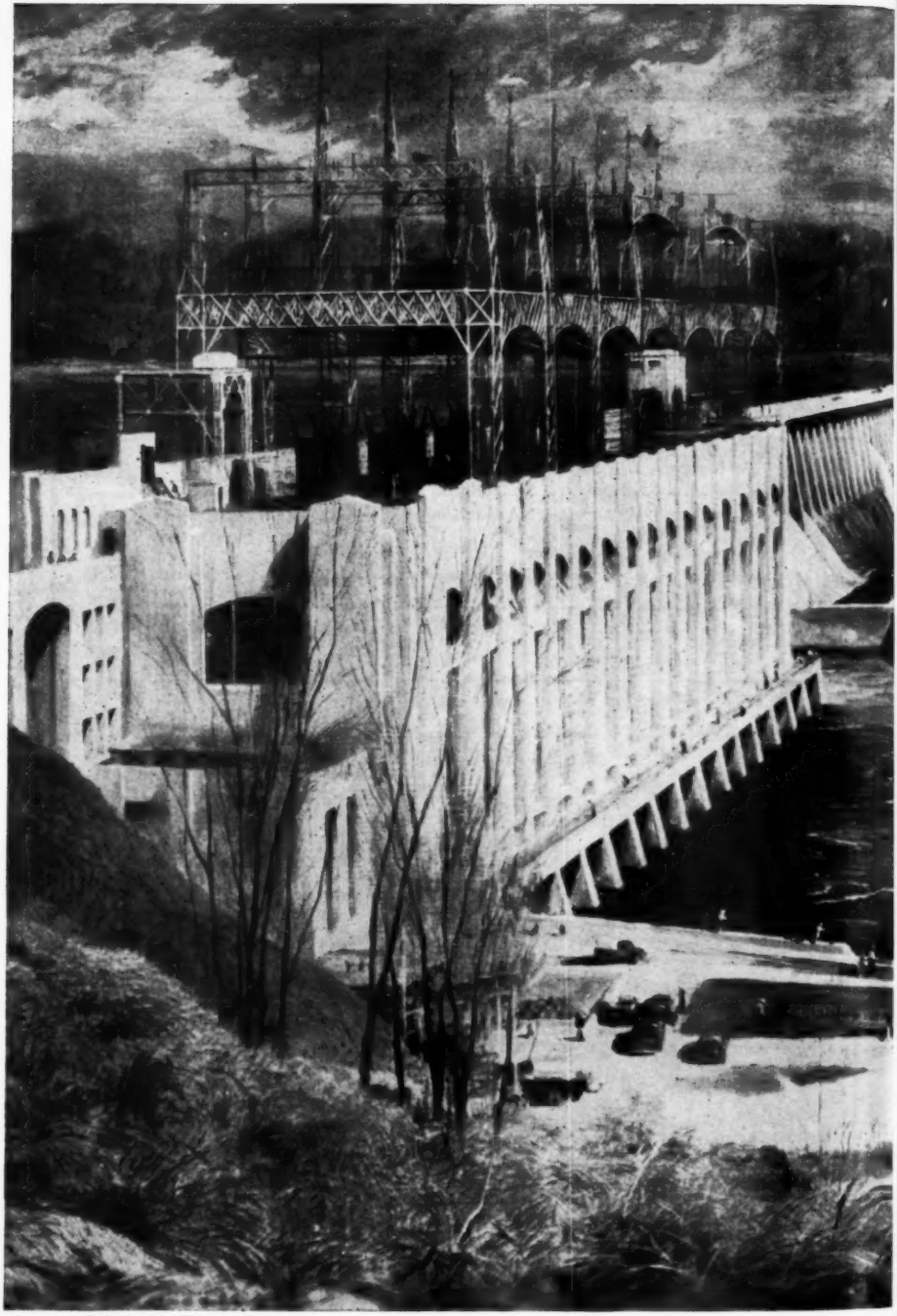
Utilities Almanack

JANUARY

29	Th	¶ *National Rural Electric Co-operative Association ends 4-day annual meeting, San Francisco, Cal., 1953.*
30	F	¶ *Canadian Electric Association, General Division, ends 2-day meeting, Quebec, Quebec, Canada, 1953.*
31	Sa	¶ *California Independent Telephone Company will hold meeting, Fresno, Cal., Feb. 12, 13, 1953.*

FEBRUARY

1	S	¶ *Louisiana Telephone Association will hold annual convention, New Orleans, La., Feb. 12, 13, 1953.*
2	M	¶ *American Gas Association begins home service workshop, Dallas, Tex., 1953.* ¶ *National Association of Corrosion Engineers begins short course, Berkeley, Cal., 1953.*
3	Tu	¶ *Pennsylvania Electric Association, Transmission and Distribution Committee, will hold winter meeting, Pittsburgh, Pa., Feb. 12, 13, 1953.*
4	W	¶ *Edison Electric Institute, Electrical Equipment Committee, will hold meeting, St. Louis, Mo., Feb. 16, 17, 1953.*
5	Th	¶ *Missouri Valley Electric Association begins industrial-commercial sales conference, Kansas City, Mo., 1953.*
6	F	¶ *Maryland Utilities Association will hold one-day annual meeting, Baltimore, Md., Feb. 17, 1953.*
7	Sa	¶ *Pacific Coast Gas Association, Technical Section, will hold meeting, Feb. 18, 19, 1953.*
8	S	¶ *Interamerican Congress of Municipalities will hold a meeting, Montevideo, Uruguay, S. A., Feb. 20-28, 1953.*
9	M	¶ *New Jersey Liquefied Petroleum Gas Association will hold meeting, Atlantic City, N. J., Feb. 23, 24, 1953.*
10	Tu	¶ *New England Gas Association, Accounting Division, will hold meeting, Boston, Mass., Feb. 26, 1953.*
11	W	¶ *American Water Works Association, Indiana Section, begins annual meeting, Indianapolis, Ind., 1953.*



Courtesy, Philadelphia Electric Company

Private Hydro on the Susquehanna

The Conowingo hydro plant sixty miles southwest of Philadelphia.

Public Utilities
FORTNIGHTLY

VOL. LI, No. 3 January 29, 1953

"Experience Hath Shown . . ."

Perhaps in a more favorable climate of the 83rd Congress, some action will take on a prospective constitutional amendment which would provide that: "The government of the United States shall not engage in any business, professional, commercial, financial, or industrial enterprise except as specified in the Constitution." Here is a frank plea for a constitutional amendment as the best way to get the Federal government out of business enterprise for good.

BY WILLIS E. STONE*

"Experience hath shown that mankind are more disposed to suffer, while evils are sufferable, than to right themselves by abolishing the forms to which they are accustomed. But when a long train of abuses and usurpation, pursuing invariably the same object, evinces a design to reduce them under absolute despotism, it is their right, it is their duty, to throw off such government, and provide new guards for their future security."

—THOMAS JEFFERSON *in "Declaration of Independence."*

IMAGINE, if you can, a government attacking the rights of its citizens to own property, develop productive enterprises, or manage their own individual contractual affairs.

Imagine it or not, it is happening.

The government of the United States, under policies developed over the past two decades, has undermined the traditional and constitutional rights of the people and the states to develop and operate their own tidelands. These Washington officials

*For personal note, see "Pages with the Editors."

were not interested in tidelands, as such. The only practical motive for the tidelands seizure is, apparently, to secure this fabulous wealth belonging to the people of the coastal states and place it at the disposal of Federal distribution or operation. The electric utility industry certainly needs no reminder in this article about the extent of Federal encroachments in *that* field. The telephone industry has recently come into the focus of Federal financing of rural co-ops.

On another front, Federal officials have attacked the right of the farmers to use the water which is by nature, by law, and by tradition, a part of their own lands, and essential for the production of their crops. Notable among such cases is that of the Fallbrook, California, farmers. These attacks cannot be reconciled with any purported consideration for the welfare of the American people. They smack more of the pattern of "absolute despotism" prepared for Federal control.

THE political conquest of the water and power resources of the great river basins has been skillfully advanced. Adroit devices, less than frank, have been carefully employed to impose upon us nine so-called "valley authorities." Designed by the Interior Department of the predecessor administration, this plan calls for the destruction of the authority of state governments, the steady erosion and ultimate confiscation of public utilities in those areas, the control of the very essentials of life by appointed "commissioners" with autonomous powers in each "authority." The purpose should be clear to all by this time. It is to make our people totally dependent upon the benevolent attitude of the all-powerful political masters in Washington.

According to Marx and Engels, one sure, quick way to fasten a dictatorship of the masses upon a bourgeois or capitalistic system is to bankrupt it. Our so-called Federal lending agencies, such as the Reconstruction Finance Corporation, have drained the Federal Treasury and tapped the resources of the people. Twenty-one Federal corporations, with fifty-nine subsidiaries, are in the business of "lending" money, taken from the taxpayers under penalty for noncompliance. In recent years more tax-collected dollars have vanished, without an accounting, through this practice, than the Federal government handled during its first 150 years of existence.

The domestic exploitation is not enough. Today we are forced to support the international exactions. Each year about 5 per cent of our total production is taken from us by tax collections, and given to foreign governments (some of them notorious tyrants) so that they may continue the socialistic capture of their people. The bill for this foreign handout is sugar-coated with the claim that it aids people, but the money finds its way to the power-hungry foreign political administrators of socialistic régimes.

FARMERS have been told they cannot get along without "subsidies." If they try, they may be subject to penalties approaching confiscation. They have been warned that a "Farm Acquisition Plan" to take over farms already has been drawn up. Intimidation has been used in this pattern of

steady drift towards centralized Federal authority which, unless checked, can only end in absolute despotism.

Something wrong in America? There is no doubt of it. We know what it is, and how it works. We know where it is bound to lead unless we outlaw those strange practices which are alien to us.

Some may call these attacks upon us Communism. Others call it Socialism, or "creeping Socialism." Whatever name we give it, it is still *the use of political force to abolish private property and private enterprise.*

Far too many of us agree, yet are content to rest on the contention that we have been fighting it for years. We have been *against* it, yes. But just what have we actually done about it? The truth will emerge that we have not fought against it hard enough, or well enough, even to slow down Socialism's process of confiscation.

We say we don't like this confiscatory trend. We say we want to fight back, to regain our economic freedoms.

What, then, must we do? First of all, our fight must be an orderly one. We know that we cannot fight Socialism on a piecemeal basis and win. That type of fight only encourages the opposition to divide our ranks—to play one group of so-called beneficiaries against another group which suffers direct damage. And then extending the process under the appearance of letting a different group get its share.

To win, we must create a powerful weapon of counterattack, then utilize it to the fullest.

SOCIALISM is well advanced. Thirty-five years ago the Federal government owned only a fraction of the land area of the nation and none of the industrial capacity of the country. Since then the Federal corporations have come into existence and have taken over about 40 per cent of the land area and 20 per cent of the industrial capacity of the United States.

This has been done without any public consent and with little color of constitutional authority.

The political administrators of government have not been operating within the framework of the Constitution, but have claimed unlimited power. Under the argument that congressional statutes are supreme under the "general welfare" or some other rubber-stretched provision of the Constitution, or under none at all, the conquest of the American individual enterprise system has progressed swiftly.

Congress has considered an average of almost 7,000 socialistic bills in each of the recent sessions.

¶ "SOCIALISM *is well advanced. Thirty-five years ago the Federal government owned only a fraction of the land area of the nation and none of the industrial capacity of the country. Since then the Federal corporations have come into existence and have taken over about 40 per cent of the land area and 20 per cent of the industrial capacity of the United States.*"

So, let's face the fact. It is impossible to defeat 7,000 separate socialistic legislative proposals in a single session of Congress. Our first point, therefore, is that only a general across-the-board type of offense will be effective.

This leads us to the next point in an orderly counteroffensive. Every socialistic bill that does get through Congress destroys just that much more of the economic freedom of the American people. This erosive, bit-by-bit process has built Socialism in America to oppressive proportions. Conversely, it has narrowed or contracted the area of tax-paying private enterprise which must support it. So, point number two follows from point number one. The *whole* area of our private enterprise must not only be defended, but that already lost must be reclaimed.

POINT three has to do with the repetitious nature of the socialistic attack. The defeat of any socialistic bill in Congress does nothing more than sustain the status quo. Such "victories" do not win back a single inch of ground already lost to Socialism. Nor do they protest against the same bill being brought up again and again. Socialism can lose many battles, but private enterprise can lose only once.

As we analyze these points, we come inevitably to a consideration of one fundamental fact—that to *retrieve* the ground lost to Socialism, and to prevent the further socialization of America, we must develop a legal weapon *superior* in force and power to the devices being used to fasten Socialism upon us.

We must also realize that the creation of such a legal weapon is without value unless we stand ready to support it to the hilt.

Business, the professions, commerce, industry, and labor (where labor has awakened to enter the fight for freedom) have so far concentrated their efforts on a purely *defensive* fight—the fight against encroachment, or against the invasion of their particular interest. They have not entered the general battle against Socialism as a whole as a subversive system.

Make no mistake about it. Such defensive fights must be carried on. The question arises, shall we spend all our strength on a defensive battle which must essentially be in the nature of a delaying action, or shall we give 10 or 20 per cent of our support to forging and wielding powerful weapons of counterattack that can actually *win* the war against Socialism once and for all?

As already stated, the best we have been able to do with defensive effort thus far is to gain temporary delays. Having no weapons of counterattack we continue to lose ground. Eighty-eight Federal corporations and ten Federal cartels now stand as grim monuments to the ineffectiveness of purely defensive struggles.[1]

CAN we win permanent economic freedom through a strong counterattack? Certainly no victory has ever been won against Socialism without an attack against it. Today, we stand on the threshold of a long-heralded new era in Washington. We

[1] The American Progress Foundation, 1540 North Highland avenue, Los Angeles 28, California, has issued a free brochure listing these Federal corporations and cartels.

Time for Counterattack on Socialism?

"CERTAINLY no victory has ever been won against Socialism without an attack against it. Today, we stand on the threshold of a long-heralded new era in Washington. We have been told that the climate there has been changed; that it will be less hostile, if not more favorable, to business and private enterprise. Now would appear to be the most opportune time, psychologically, to go on the offensive."

have been told that the climate there has been changed; that it will be less hostile, if not more favorable, to business and private enterprise. Now would appear to be the most opportune time, psychologically, to go on the offensive. But how? What shall be our weapon? Does a truly effective weapon for such dynamic action even exist?

SUCH a weapon does exist. More than eight years have been devoted to the business of shaping it, testing it, perfecting it, and gathering widespread grass-roots public support for it. It is ready.

It is known as the "Proposed 23rd Amendment." As introduced in the 83rd Congress by Representative Ralph W. Gwinn (Republican, New York), HJRes 123 provides that:

> The government of the United States shall not engage in any business, professional, commercial, financial, or industrial enterprise except as specified in the Constitution.

This proposal does not condemn. It points the finger at no one. It states a basic principle, and gives it constitutional authority, restoring property rights and our traditional concepts of equality and justice under law.

THERE may be those who feel this does not go far enough because it neither rails against our desperate tax problems nor proposes to tinker with taxing powers.

With no attempt to minimize the tax burden, we must recognize that taxes reflect the cost of government. Our present overwhelming tax load provides bitter evidence that we have an inflated government, much of it the wrong kind.

Let's look at this tax question for a moment with cold logic, and see how this "Proposed 23rd Amend-

ment," by restoring economic freedom, will remedy much of the tax evil.

Taxes have but one function—that is to pay the costs of government.

Governmental costs at Federal level have exceeded tax receipts by more than $240 billion during the past twenty years; therefore, taxes have been too low to serve their only function by an average $12 billion per year during these last twenty years.

Nor is the current fiscal year any different. The anticipated deficit for the year is estimated at $14 billion.

Based on the fact that the tax load must be measured in relationship to its function, we are confronted with the terrible truth that taxes are too low, or the cost of government too high. This should direct our attention toward the source of our problem—the Federal agencies where taxes are generated.

OUR problem and its solution depends upon the separation of the necessary and natural functions of government from the needless, unnatural, and unauthorized functions in which government is engaged.

Centering our attention on the needless, unnatural, and unauthorized functions in which government is engaged we discover a vast array of agencies known as "Federal corporations." They have no governing or regulatory function but devote themselves to participation in productive enterprise in direct competition with American citizens.

To understand these Federal corporations, and the part they play in the tax picture, we should ask the following questions:

What do the Federal corporations do?

Eighty-eight Federal corporations and ten Federal cartels are reported to be engaged in productive enterprise in active and direct competition with the individual enterprises of the American people.

Where did these Federal corporations get the capital to go into business?

There was nothing voluntary about the financing of the Federal corporations. The American people were required, under tax penalty, to provide the capital, estimated at vastly more than 80 billion tax dollars, to finance these Federal corporations which compete with the enterprises of the people forced to provide this capital.

IS *there any constitutional authority for the existence of the Federal corporations?*

None whatever in this writer's opinion. Actually, the intent and purpose of the Constitution was to guard against such activities by government. The 10th Amendment to the Constitution specifically asserts: "The powers not delegated to the United States by the Constitution, nor prohibited by it to the states, are reserved to the states respectively, or to the people."

Therefore, as the powers exercised by the Federal corporations have never been delegated to government by the people, the Federal corporations are acting without proper sanction or authority. They manage to do so through a process of selective law enforcement which fosters the political violation of the spirit, intent, and purpose of the Constitution.

Do the Federal corporations pay their own way?

They do not. By a weird and unrealistic pretense of cost accounting, which would not be permitted to any private enterprise, the Federal corporations which make a spurious claim of paying their own way, are back every year for another handout of more tax dollars.

Do the Federal corporations assume normal responsibilities?

They don't even pretend to be responsible. They use money exacted from the taxpayers as capital, but evade every attempt to make them pay normal interest for the use of these tax-collected funds.

The Federal corporations pay nothing for the space they consume. They demand and get, without payment, vast quantities of goods and services from other governmental agencies at taxpayers' expense

Although Federal corporations are notorious in their demands for services from every level of government, they rarely pay taxes, of any kind whatever, to sustain local, state, or Federal government.[2]

In spite of this amazing political preference and privilege, which is contrary to our American concept of equality, or justice, the Federal corporations have lost an average of *$7 billion per year since 1944.*

[2] The scant exceptions in those cases where token payments are made "in lieu of taxes" hardly stand realistic comparison.

ARE *the services performed by the Federal corporations something special, or can they be performed as well or better by private enterprise?*

There is certainly nothing special about the productivity of the Federal corporations. They do not perform a single service which private enterprise did not originate and is not now doing better than their political competitors, and at a lower cost.

The Federal corporations are operated as unfair competitive factors, relying on political privilege rather than productive excellence, and seeking to dominate their fields at any cost and by any ruthless method.

IF *private enterprise can do the job better than the Federal corporations, why do we not get rid of political enterprises and get back to the good old American individual enterprise system?*

We should, and at once, but it isn't easy. Those involved in the lush socialistic operations of the Federal corporations, and those getting ostensible benefits from them, will fight to maintain their political power, pres-

¶ "ALTHOUGH *Federal corporations are notorious in their demands for services from every level of government, they rarely pay taxes, of any kind whatever, to sustain local, state, or Federal government. In spite of this amazing political preference and privilege, which is contrary to our American concept of equality, or justice, the Federal corporations have lost an average of* $7 BILLION PER YEAR SINCE 1944."

tige, and preference, and their pipeline to the Federal Treasury.

The Federal corporations have used clever and successful devices of persuasive intimidation and propaganda to nullify the "Proposed 23rd Amendment." They know that adding it to the Constitution will outlaw the socialistic empires they have so carefully built at taxpayers' expense.

Quietly, relentlessly, the "Proposed 23rd Amendment" has continued to find steadily increasing support throughout the nation. More than 6,000 organizations have adopted resolutions in support of it. Community programs on the subject are spreading everywhere. It is pending in several state legislatures as a memorializing resolution. It will doubtless be considered by the 83rd Congress which convened this month. We should measure the effect it will have.

WHEN *the properties and facilities of the Federal corporations are restored to the American people, how will the costs of government be altered?*

The sale of the properties and facilities of the Federal corporations to the American people should bring a price of better than $50 billion, which, applied to the national debt, would greatly reduce the interest charges and amortization costs which are now a part of our tax bill.

It would put a stop to the annual losses of the Federal corporations.

More than 800,000 tax-eating office-holders would be forced off the Federal payroll into productive tax-paying employment.

These items of savings in cost of government would add up about as follows:

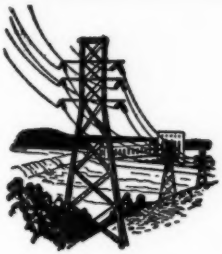
Reduction in interest charges on $50 billion at 2½% per year is	$ 1,250,000,000
Reduction in the amortization cost to pay off $50 billion in forty years, would cost, per year	1,250,000,000
Average annual losses stopped	7,000,000,000
Payroll reduction of 800,000 pay envelopes averaging $3,000 per year, would save, yearly	2,400,000,000
Reduced need for goods, services, and facilities (estimated at three times the value of payroll) would be	7,200,000,000
Total (1950 estimate)	$19,100,000,000

To comprehend this enormous treasure which is siphoned away from the earnings of our people to maintain political conquest of the properties and enterprises of the people, we might picture this $19 billion in a stack of silver dollars. Such a stack would reach an elevation 31,732 miles above the earth—almost halfway to the moon. Truly, we may say that Socialism in this country has reached "astronomical figures."

It is difficult to imagine such a stack of silver dollars. We might have a better picture if we imagined this $19 billion figure as a stack of $1,000 bills.

Relatively few of us have ever seen a thousand-dollar bill, much less owned one. Yet the Federal corporations, to pay for their losses and hidden costs, took from our productivity in 1950 an amount of money equal to a stack of thousand-dollar bills nearly three miles high.

If this does not hurt us enough to do something about the basic problem, what will? The "Proposed 23rd Amendment" will accomplish a vol-



Would "Authority" Mean the End of Utilities?

"THE political conquest of the water and power resources of the great river basins has been skillfully advanced. Adroit devices, less than frank, have been carefully employed to impose upon us nine so-called 'valley authorities.' Designed by the Interior Department of the predecessor administration, this plan calls for the destruction of the authority of state governments, the steady erosion and ultimate confiscation of public utilities in those areas, the control of the very essentials of life by appointed 'commissioners' with autonomous powers in each 'authority.'"

ume of potential savings, of new income without additional toil, through the simple process of repairing the damage done to the Constitution, redefining the powers of government to govern, and stipulating in constitutional law the unalienable right of the individual to economic freedom.

How would this tremendous reduction in cost of government affect the whole tax structure?

It would cut the need for taxes (1950 level) by more than 45 per cent.

It is logical to assume that this tremendous reduction in governmental costs would first be reflected by a drastic reduction in individual and corporate income taxes.

Using 1950 as the barometer, the "Proposed 23rd Amendment" could eliminate the deficit, provide for a heavy payment on the national debt, reduce the individual income tax levy by more than 65 per cent, and reduce the corporate income tax levy by 40 per cent.

Applying these factors to the 1951 budget, the individual income tax anticipations of $17 billion could be reduced to less than $6 billion. Corporate income tax anticipations, originally set at $10 billion, could be cut to about $6 billion.

Such reductions in tax levy would make a tremendous effect on the "take-home pay" of the American people. It would actually increase the "net" income of the American people by better than 11 per cent.

The reduction in corporate taxes would lower the cost of production and distribution to such an extent that

the retail price of goods and services could be reduced 4 to 5 per cent.

Thus, the increase in "take-home pay," combined with the potential reduction in the sales price of things, could produce a net gain in the standard of living of the American people of about 15 per cent.

How would all this affect personal tax bills?

The first result of such a reduction in the individual income tax requirement would be the lifting of individual income tax exemptions from the present $600 per taxpayer per year to $1,500 per taxpayer. This would permit every taxpayer to keep, and spend for himself, the first $156 he paid in taxes at 1950 or 1951 levels. The increase in "take-home pay" would not involve increasing by a single penny the labor charge against production costs.

It would mean that a craftsman, with a family of four, earning $6,000 per year, and paying $624 in taxes in 1950, would not be required to pay any taxes if the "Proposed 23rd Amendment" were in force. He would have "take-home pay" of $6,000 for the year, as compared with the 1950 reality of $5,376 "take-home pay"—an increase of nearly 12 per cent without changing the $6,000 rate of pay.

Labor would get more of the pay it had earned because government would take less of it through withholding and other taxes.

This analysis of tax reduction which would be possible as a result of adding the "Proposed 23rd Amendment" to the Constitution, does not include the astonishing fact that approximately 40 per cent more land area and about 20 per cent more industrial capacity will be added to the tax rolls to share the diminishing tax burdens, local, state, and Federal.

Can the "Proposed 23rd Amendment" yield other benefits?

Decidedly yes.

As corporate taxes could be materially reduced under the proposed amendment, the price of things could come down, increasing the purchasing power of the dollar. Thus, each citizen receiving a larger number of dollars, and each dollar having greater purchasing power, could provide for the greatest era of increasing standards of living in our history.

With fewer restrictions, less political domination, fewer forms to fill out, less political intimidation and compulsion, and more of the feeling of self-respect and self-reliance, American incentives and genius would go to work again.

The rights of contract through mutual agreement between buyer and seller, employee and employer, producer and consumer, landlord and tenant, would again be a reality as political participation in these intimate private affairs end and the basic, authorized, and natural governing functions of government are revitalized.

Reduction in controls, reduction in political corruption, reduction in political attacks upon private property and private enterprise, and reduction in tax load will combine to induce an increase in personal incentives, in opportunities, in self-determination and esteem—the elements which produced the greatness which is America.

WHAT *needs to be done to add this "Proposed 23rd Amendment" to our national Constitution?*

Informed public opinion, forged on the anvil of widespread public discussion, is the only possible method of achieving this return to our traditional principles of economic freedom.

It is up to us, and each of us, through our business and social connections, to support every possible means to promote a thorough and complete discussion of this question of public policy in every community in this nation.

It is a relatively simple task to outlaw the practices of Socialism, and to attain all the great benefactions of economic freedom and tax reduction to be derived by adding the "Proposed 23rd Amendment."

It should be very easy for a people who know freedom, who created a Constitution and Bill of Rights, who had the logic, preseverance, and wisdom necessary to produce railroads, automobiles, airplanes, radio, television, and ten thousand other miracles.

We need but one thing—informed public opinion focused upon this basic question of public policy. Such public opinion can only be forged on the anvil of public discussion in every community.

We Americans know these facts. Our entire national history proves that we know it. By fairly facing our problem, and its logical solution, our position simmers down to some very basic equations.

WE know what's wrong. We know what to do to control and correct what's wrong. We know the benefits awaiting us when we apply the corrective of the "Proposed 23rd Amendment" which provides that "The government of the United States shall not engage in any business, professional, commercial, or industrial enterprise in competition with its citizens except as specified in the Constitution."

There is but one more question—have we the will and the energy to do the job?

"THE *only justification ever offered for the tidelands seizure was that the state governments were not capable of administering their own vital interests and assets for the maximum benefit of the country as a whole, and that the Federal government could do it better.*

"The whole experience of the American people is, of course, to the contrary, since the Federal government never fails to operate its enterprises less efficiently and more expensively than the states and local communities conduct their enterprises.

"It is to the credit of Congress that, although the New Deal administrations have enjoyed almost unbroken legislative control ever since the tidelands seizure was accomplished, the majority of Democrats and Republicans alike has always rejected the totalitarian purpose reflected in that policy."

—EDITORIAL STATEMENT,
New York Journal-American.

Do Your Customers Know Your Rates Are Regulated?

What publicity regulatory commissions get must come through the news items that concern company requests for rate increases. One utility recently decided to publicize its commission's position. Why? Because the company found that only half of its customers had any idea that the company's rates and charges were even regulated by a state commission! The company thereupon decided to introduce regulatory explanation in its advertising.

By BOARDMAN G. GETSINGER, JR.*

THE public relations department of The Connecticut Light & Power Company is now in its second year of developing an unusual, if not unique, institutional advertising approach that we feel promises to be effective.

We call it public utilities commission advertising and we got our first inkling that it might be very useful after analyzing results of questions in our first Opinion Trend Survey, conducted in May, 1951.

I'll make no apologies for the institutional advertising we'd been doing before that time. I think it was darned good newspaper advertising. In biweekly insertions in 13 daily and 30 weekly newspapers it hammered away at the same subjects most other utility companies were featuring—service, rising costs, cheap electricity, and government competition. We did our best to keep art work professional looking, layouts clean and eye catching, and copy simple and direct.

Of course we often wondered how well we were putting over our story. Who hasn't? But aside from an occasional cherished compliment from acquaintances, or a rare newspaper editorial, we had no way of measuring our progress, if any. And that's one of the big reasons why we began looking into survey possibilities.

Personnel Assistant Robert J. Gorman, after some investigation, developed a CL&P survey modeled after a Bell Telephone system opinion trend survey which had attracted our atten-

*For personal note, see "Pages with the Editors."

tion as a particularly effective way of sampling customer opinion.

MR. GORMAN conducted our first survey in May, 1951, and the results he tabulated certainly gave us a clear picture of ourselves as we appeared to our customers. It was not a new picture, however, but merely a more clearly defined rendition of the image we had always more or less suspected our customers saw.

Holding ourself up to the light we found, with some satisfaction, that most of our customers thought we were doing a good job. Far too many of our customers, however, had "no opinion" on many subjects we considered vital, and some, of course, showed unfavorable attitudes on a number of questions. Obviously, misunderstanding and ignorance gave us plenty of room for attempting to show improvement. And for the first time, thanks to our survey, we could see our targets clearly.

With Mr. Gorman's help we immediately set about evaluating responses, question by question, in an effort to establish a sound institutional advertising course for the remainder of 1951 and early months of 1952.

One question that seemed to become more and more significant as survey replies were studied was, "Do You Think The Connecticut Light & Power Company Can Charge Whatever Rates It Wants to, or That Its Rates Are Regulated by a State or Governmental Agency?"

Replies revealed that only 50 per cent of our customers realized that our company's rates are regulated. Of the remaining 50 per cent, 8 per cent thought we can charge what we like, and 42 per cent did not know whether or not our rates are regulated.

FAR more important than the fact that surprisingly few people know our rates are regulated, however, was the discovery that between the group which *did* know our rates are regulated and the group which *did not*, there appeared to be significant differences of opinion on other important subjects affecting our company. A correlation between awareness of state regulation and attitude toward CL&P's rates, for example, as well as attitude toward government competition in the electric industry, was suspected.

Eager to test this hypothesis, we decided to introduce the PUC theme into our advertising program. We scheduled four newspaper advertisements based on the functions of the PUC to appear in newspapers in our area during the period from June, 1951, to May, 1952. Several issues of our customer bill insert, *The Connecticut Light News*, were also set aside for discussion of the PUC theme.

Samples of this material appear in these pages (148 and 150), and I'll be happy to supply samples of additional ad proofs and bill inserts to those interested in obtaining them.

I should point out that we have never felt the need for an advertising agency to handle our regular newspaper advertising program. We do our own copy and rough layouts and rely for finished work on an unusually capable and imaginative art and typographical staff maintained by our printer.

As soon as the rough proof of our first PUC advertisement was returned

by our printer, and well before its scheduled date of publication, we submitted the proof to our Connecticut commission for its comments.

We've been well satisfied with results indicated by our second annual Opinion Trend Survey, conducted in May, 1952. Among other things, it showed that about 14 per cent of our customers recalled having seen our advertisements or bill insert messages on PUC regulation during the previous year.

Better yet, replies to the survey

question on regulation revealed that in May, 1952, 6 per cent more respondents than in May, 1951, realized that our rates are regulated, a gain representing about 18,000 customers.

We believe our PUC advertising also helped in part to achieve a 5 per cent increase among customers who think our rates are "low" or "reasonable."

But most interesting of all was the repeated indication of a definite relationship between a customer's awareness of PUC regulation and his attitude toward other subjects.

For example, it appears that customers who are aware that our rates are regulated are also inclined to look favorably on our rates. Let's take a look at an analysis based on 1952 survey findings.

Difference in attitude toward rates between customers who knew rates are regulated and those who did not:

1. Of customers who knew rates are regulated—66 per cent thought rates are low or reasonable, 18 per cent thought rates are too high, 16 per cent had no opinion.

2. Of customers who thought CL&P can charge what it likes—35 per cent thought rates are low or reasonable, 53 per cent thought rates are too high, 12 per cent had no opinion.

3. Of customers who did not know whether or not CL&P's rates are regulated—55 per cent thought rates are low or reasonable, 18 per cent thought rates are too high, 27 per cent had no opinion.

We believe our PUC advertising program is pretty much justified on the basis of this one question alone. The job of gaining customer acceptance of genuinely low utility rates is an important one, and is evidently more easily accomplished when customers realize that representatives in their state government make certain the rates we charge our customers are fair.

A similar relationship was found to exist regarding the question of government competition, as shown by the following breakdown:

Difference in attitude toward government competition between customers who knew rates are regulated and those who did not:

1. Of customers who knew rates are regulated—80 per cent thought the Federal government should stay out of the electric business in Connecticut, 5 per cent thought the Federal government should go into the electric business in Connecticut, 15 per cent had no opinion.

2. Of customers who thought CL&P can charge what it likes—73 per cent thought the Federal government should stay out of the electric business in Connecticut, 4 per cent thought the Federal government should go into the electric business in Connecticut, 23 per cent had no opinion.

3. Of customers who did not know whether or not CL&P's rates are regulated—50 per cent thought the Federal government should stay out of the electric business in Connecticut, 3 per cent thought the Federal government should go into the electric business in Connecticut, 47 per cent had no opinion.

Here again, it seems apparent that when customers are aware of PUC regulation, it is easier to convince them that there is no need for govern-

ment competition with Connecticut's investor-owned utility companies.

IN our first year's use of the PUC theme, we concentrated almost exclusively on the rate aspect of PUC regulation, because we felt that a wide understanding of this function was of primary importance. And although we're going to continue stressing the PUC's regulation of our rates, we're getting ready to introduce the PUC's regulation of our profits as well. Before our 1953 survey forms are distributed, we'll key several bill insert articles and newspaper adver-

tisements to the profit subject. We're hopeful that this extension of our PUC theme will help our 1953 survey show a greater understanding of profits.

I'm afraid I may have placed too much emphasis here on the PUC newspaper advertising we've done, and not nearly enough on the PUC messages we've published in our bill insert to customers, *The Connecticut Light News*. Both our surveys have indicated that our bill insert is read either "once in a while" or "often" by about 90 per cent of our customers. For that reason it stands out as a particularly useful information medium, one we would argue very strongly against eliminating.

Four articles published in *The Connecticut Light News* during the period between surveys followed pretty closely the theme established in our newspaper advertisements. In everything printed so far we have tried to establish the fact that although Connecticut's PUC functions as a watchful, conscientious guardian of our customers' interest, The Connecticut Light & Power Company observes a self-imposed responsibility to live up to the high standards established by the PUC.

You'll be interested to know that Connecticut's public utilities commissioners and staff members look with approval on our program to call our customers' attention to the functions of our state's PUC.

FINALLY, I'd like to stress the fact that we are still experimenting with this advertising idea. On the basis of two opinion trend surveys made so far, it appears to us that PUC advertising can help accomplish difficult public relations objectives. Only experience can tell us positively whether or not we're on the right track. In any event, we're going to continue our own public utilities commission advertising program, and we're inclined to be optimistic about its results.

"WE have watched the creeping advance of Socialism over past years. The efforts to socialize medicine are but a part of the broad front of socialization and cannot be separated from it. Should this country continue on the road which inevitably leads to Socialism, those things we cherish will be irrevocably lost. The history of other nations clearly demonstrates that beyond a certain point there is no easy way of return. It may not be easy to stop the progress toward Socialism, but it is far easier and more realistic to halt it than to try to eliminate it after it has become an accomplished fact. The time to begin is not six months hence, but now."

—JOHN W. CLINE,
Former president, American Medical Association.

Where to Find More Bus Riders, Maybe

In Los Angeles, the transit men are persuading downtown merchants to give tokens to the bus-riding customers. Maybe new transit traffic has been tapped. Will there ever be a market for a dollar bus ride?

By JAMES H. COLLINS*

After several years of mounting troubles, some of the Los Angeles transit fellows, sorely in need of passengers, are making market studies—no less!

No pet food manufacturer would think of entering a populous area without a count of mutts, by breeds, the determining factor in appetites, as well as owners' affections. Nor would any swim suit maker with a glamorous line start his promotion before counting the blondes on the beaches—and then watching the thermometer.

But in transit, until costs began to wrench fares out of line, passengers have been regarded as a sort of natural resource. There were so many in the rush hours, and holidays, and the schedules had to be planned to haul them. But so far as making surveys to find more — that has not been a transit technique. Some transit men say, sadly, that selling has not been a transit technique, either.

But since war's end, transit companies have been going to state regulatory commissions and asking fare increases. Every time fares are raised a little, so many passengers stop riding. It is necessary to ask for another increase, and so many more passengers find other ways of getting to work, and once more the company is in the newspapers, explaining to the commission.

"What you've got there, Mac," any space cadet would tell you, "is a chain reaction."

And the folks in the street, reading the papers, say "Those guys are always asking for higher fares."

Now, suppose a capable sales executive, accustomed to selling dog food and bathing suits, were hand-

*Business editor and author, Hollywood, California.

ed this problem — would he look around to see if, somewhere in the community, there were potential passengers who might be attracted?

More passengers to ride in off-rush hours, to bring added revenue, ease up on the overhead, keep personnel working to better advantage?

Is that just a pleasant dream—or an unexplored transit country?

In Los Angeles there appears to be one unworked mother lode of passengers from which the overburden is now being stripped, so to speak.

And another potential pocket of passengers that will take more exploration and assaying.

The first kind of passengers are the people who go shopping by bus and rail.

And the second might be yourself —the businessman who is putting in a couple of hours every day as chauffeur for himself—and is he getting fed up!

The Los Angeles Transit Lines have a sort of two-man market study staff looking into these possibilities. Steve O'Donnell is regularly director of public relations, and Guy Gifford is called "executive publisher," which can be translated as advertising manager. A typical promotional setup for a transit company, which is generally short of money for promotion, and kept that way by regulatory bodies.

THEY spent several years discussing this and that possible method of attracting more passengers, and have now begun to get some results.

And would their setup be ready-made for Moscow!

For they have begun doing something to even up things for the people who ride to work and go shopping by bus and rail, by getting merchants to pay their fares, in part at least.

The lady who goes downtown shopping in her car not only has her parking paid by the store where she makes purchases, but everybody bows low before her as a charge customer.

When the lady who comes by transit lines walks in she gets nothing, and everybody snoots her when she pays for purchases in cash.

Many years ago everybody came by transit. Then the better-heeled families got cars, and downtown merchants carried on the tradition of the carriage trade by providing parking, and it was not burdensome in the beginning.

But today it is a heavy item in store expenses, and, worse, the physical space downtown is jammed with cars, and the carriage trade is demanding branch stores, and some authorities maintain that downtown America is doomed from coast to coast.

MEANWHILE the bus and car shoppers, who might be called the baby carriage trade, have been coming, paying their own fares, putting no strain on streets or parking lots, and the question arises, "Would more of them come if merchants chipped in to pay some of the fare?"

Believing that they would, these two transit fellows cast around for some way of trying it out, with limited resources and personnel, and made a start by circularizing downtown business people. They explained the idea, that maybe merchants and theaters could get more customers by paying part of their fares. To any businessman interested they would be glad to explain further, and maybe help plan a refund scheme to fit his trade.

Downtown business associations were interested as listeners, but decided that this was something for the individual store or theater to go into.

THE first department store management that thought the idea worth trying out agreed to give streetcar tokens to customers who asked for them, and showed sales slips to prove purchases of at least $3. But for one day only, as a feature in a big sale.

It was not possible to hand out the transit tokens where the customers shopped, as is the case with parking validations. So a "token bar" was opened at one place, and customers referred there. Though the idea was new—the idea of anything being done for the transit riding customer who paid cash!—the store gave out around 1,250 tokens.

The store publicized the idea in its sale advertising for that day, and the transit company mentioned it in 100,000 folders distributed that week in "Take One" boxes on vehicles, and a token and a release were sent to newspaper columnists who might want to make something of the idea, even spoofing it.

General result—a feeling that maybe there is something in this token idea for retail stores. But no harm in waiting a little while, to see whether it is a permanent thing.

The first downtown theater to adopt the token idea got the same limited publicity. Its picture that week was mentioned in the transit folders, with an explanation of the token refund, each box-office patron being entitled to a free token with a ticket purchase. As evidence, a dated transfer stub was shown. This theater has given out no figures, but is continuing the plan, and as the token represents a substantial discount on admissions, it must be considered productive.

A DOWNTOWN sporting goods store gives two tokens with every purchase. No minimum amount has been set, because average purchases in this trade are substantial. But it is significant that some sporting goods customers come by bus, and think it nice to have part fare paid both ways.

The most heartening token sponsor secured thus far is a big public market, where about 60 lessees had to agree to the plan, and where, having started paying car fares, it would be hard to stop.

This market is one of the sights of Los Angeles, with its quarter-million customers every week, practically all transit riders, because it is jammed in

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between two narrow downtown streets, and has no parking facilities whatever. During the thirty-five years that it has stood there, the super market has been invented, with self-serve, one-stop—Los Angeles super market people are talking about motorized shopping carts, when they can redesign the market for such shopping—but at the Grand Central Public Market the customers crowd in narrow aisles, take their purchases away in shopping bags, and that goes on and on, regardless of retail progress, because the volume gives attractive prices, and the bus riders keep on coming.

When a customer has purchased $3 worth from one merchant a free token is given on showing a transfer stub.

At the moment, tokens accepted on both transit systems are two for a quarter, good for a first zone ride with one transfer. For another nickel, the passenger gets a ride with two transfers. Most customers at this market have one transfer stub left, to prove the case.

"Suppose Mrs. Juarez shows her transfer at Bill's stand," was objected at the preliminary discussion of the plan, "and then shows it again at Tom's stand, and gets another token?"

"OK—for each token she'd buy $3 worth of food."

TRANSIT people point out that these transfer stubs afford a check on localities that send customers. The transfer stubs could be picked up from customers who do not use them for another ride—after shopping they will be going back home, in directions for which they are not valid. By collecting them for a checking period, a day, a week, and then sorting them by transit lines, a merchant would have a line on neighborhoods such as has not been available heretofore. The Los Angeles area has many neighborhood newspapers in which stores advertise, supplementing the city dailies. Such a check would show where customers were coming from, and be a guide to effective advertising.

There is a racial discrimination angle to this practice of paying for one customer's parking, but refusing to pay toward the other customer's bus fare.

Los Angeles is a melting pot as turbulent as New York or Chicago, but with a different assortment of races, and more color.

Negroes came in large numbers during the war. Mexicans have always been here, and regard Americans as the intruders, to be patiently endured until some day they go away again. There are Latin Americans and West Indians; Chinese and Japanese of several generations; Koreans, Hawaiians, Filipinos, Polynesians, Melanesians, Malays, Hindus—and American and Mexican Indians of many tribes.

Racial tensions smoulder, and to give one customer a refund and ignore the other, suggests that he is in a racial minority that doesn't count, or that he is a poor person ditto.

A POOR man by Chesterton's definition is just a man who hasn't got much money. That doesn't fit all of these bus-riding customers. Many of them have good bank rolls, and also cars, but buy their groceries where the overhead is low. Not a few of them go shopping for other things in their cars, and so enjoy the parking refund

Value of Transit Shopping Tickets

"ELSEWHERE, various plans for having merchants pay transit riders' fares have been based on a discount—so many tickets for a dollar. In California the public utilities commission frowns on such discounts. Merchants pay the straight two-for-a-quarter rate. With fares being increased again and again, the one-bit token has come to be looked upon as something worth having."

one day, and get discrimination another.

Bus-riding customers come mainly from the "East Side," where industries predominate, to the south and east of the downtown area. Auto customers come from Hollywood on the west, Pasadena on the northeast, and newer residence districts on the southwest. It is in these automobile trade areas that downtown stores have been building branches.

Transit men maintain that downtown has reached its limits for increasing automobile trade, that parking facilities are not capable of expansion, and that the merchant and property owner who put more money into parking facilities are sawing off the branch on which they sit.

However, downtown businessmen do not think so, and will have to be shown; and at recent rate increase hearings before the California Public Utilities Commission, where everybody is heard, the transit spokesmen were challenged by automobile trade spokesmen, the bout ending pretty much in a draw.

"One automobile brings one and a half shoppers," argued the transit men, "while a bus brings forty, doesn't have to be parked, takes up no more street space than two automobiles."

"People who have always been accustomed to the independence of private transportation are not going to jam into busses!" countered the auto men.

THE facts seem to be that they were both talking about different breeds of cats. The auto and bus customers come from different areas. It would be an impossible proposition to persuade the woman who drives to take a bus instead. But where the bus-riding population lives, in its hundreds of thousands, there are new customers to be attracted at reasonable cost, with tokens, and downtown shopping attractions. Downtown merchants are

asked to try it out and see what there may be in it for them.

This token trade had possibilities for keeping vehicles busy in off-peak hours, because token shoppers can come after the morning rush, and start home before the evening rush. Also, by combining tokens with evening hours, merchants can extend the day's business. All over the country merchants are finding that it pays to keep open one or more nights a week, and even on Sundays. It has been dubbed a "hot potato" issue, with some for it, and others strongly opposed, but those who do it have discovered that it pays, especially on goods like furniture, appliances, and clothing, where a husband and wife decision is wanted, and both can shop together.

So far, nothing has been done in Los Angeles to promote tokens among the thousands of merchants in the town's innumerable outlying shopping neighborhoods. The plan is being tested downtown first of all. But from the transit angle, token traffic into outlying neighborhoods would be desirable, because it could come off-peak, and would be largely short-ride travel, which is profitable.

ELSEWHERE, various plans for having merchants pay transit riders' fares have been based on a discount—so many tickets for a dollar. In California the public utilities commission frowns on such discounts. Merchants pay the straight two-for-a-quarter rate. With fares being increased again and again, the one-bit token has come to be looked upon as something worth having.

Some publicity has been organized for the token plan, out of transit companies' limited promotion resources. The "Take One" folders distributed in vehicles, changed weekly, are valued. Small token cuts are supplied merchants for their own advertising. And with Hollywood just around the corner, there is some cheesecake—actress Gloria Maxwell was lent by the picture studios to pose in a swim suit, holding up a token.

That seems to be the idea in toto. It is not patented, copyrighted, or trademarked, so any transit company that wants to explore possibilities in its own community can take it from the public domain.

There is another possible reservoir of traffic in automobilists who are getting tired of driving.

They may be future customers for a dollar bus ride, or fifty cents. Nothing has been done about them yet, but there are angles worth considering.

WHEN an eastern businessman moves to southern California he immediately becomes a cowboy, say the Los Angeles transit men. Back East he rode subway or bus. Public transportation was quickest, driving often impossible. But at last he realized his ambition of moving his business into the Wide Open Spaces, or was sent there on behalf of his company, and right off he wanted to drive his car everywhere, be an individual, regain his independence. It seems to be something lingering on in the Old West.

Yipe-e-e!

But after a couple of hours at the wheel, morning and night, five days a week, month after month, he gets plenty of it. It may be years, but he is sure to get enough—too much.

This is a curious thing in the executive make-up. Your company president, or branch director, works in an air-conditioned office, with a secretary to closely schedule his appointments and confabs, a boy to lift the papers as he signs them, maybe a company plane to whisk him here and there, and a burden of detail that constantly grows.

Then, for two hours a day, between home and office, he drives a taxicab through rush-hour traffic. You cannot call it anything else.

Personal driving around to different plants has some variety, but home-office driving over the same route every day takes it out of you, and executives are beginning to realize that cost in time and working energy.

Is there some easier way?

If there were busses that did it for a dollar, on the club car principle, with a lounge seat, and relaxation, and time for reading or paper work . . .

If the bus came to your own door in the morning, dropped you at your office, and picked you up for the trip home . . .

That would be a three-way bargain in time, energy, and money, because nobody can do it as cheaply in his own car.

AGAIN, the lady who insists on driving downtown to shop in her own car would be horrified at the suggestion that a bus might have advantages.

But suppose she were offered a 50-cent bus ride, with some exclusiveness?

Suppose she were picked up at her own gate, and set down at a big store entrance instead of having to park several blocks off, and was picked up at any other store for home.

The women in southern California do an immense amount of driving.

Nowadays you introduce the better half as "My best friend, severest critic, and chauffeur—my wife!"

But enough is too much.

"We girls are going to Santa Barbara for lunch," announces the lady, at breakfast. "And goody! I won't have to drive."

Furthermore, there are thousands of workers who drive to their jobs, because jobs are constantly spreading out, and often there is no other way to get to them.

MOTORISTS are headed into a dead end, and know it, and here seems to be an opportunity to sell them public transportation in new forms.

There is a margin between ordinary bus fares and the expense of private driving that should stimulate the development of new transit services.

And there are school busses already doing something of the kind, and those vehicles that, since horse-and-buggy days, in some cities, have been operated by merchants to bring shoppers from railroad terminals and ferries.

The token plan is a bid for more traffic by better use of existing facilities.

New special services pose new problems.

There is demand, based on discomfort. The discomfort is bound to increase, accentuating the demand.

Can the transit industry develop something to meet it?

For the long haul, in Los Angeles, they believe that they eventually will.

Telephone Men against the Snow

The efforts required to keep telephone circuits in operation over the backbone of the continent are regarded by the author as little short of "heroic." The article is a tribute to all linemen who go about their duties in the face of bitter cold or other extreme weather conditions. In order to tell their story the author became acquainted with the crew, the service problems, and the terrain.

By HENRY F. UNGER*

UNHERALDED, a group of hardy telephone maintenance men each year wage a heroic battle against Old Man Winter in the wild country of Colorado. They have only one purpose—to keep the line open for the small population living in the small towns in the formidable passes and to keep long-distance service open across the backbone of the continent.

Sometimes the winter elements get the nod of victory but not for long. The grim battle in the mountain country of southern Colorado, where one of the most inaccessible telephone lines in the United States crosses the continental divide, continues until the telephone men have conquered the snow.

Accustomed to the vicious nature of the Colorado winters, the telephone men of the Mountain States Telephone & Telegraph Company know what to expect in the Alamosa-Pagosa Springs sector of the Denver-Durango toll line.

The line crosses Elwood Pass at an altitude of 11,776 feet. It consists of two physical and one phantom circuits, which provide nine message toll and two telegraph channels along the route. To know what to expect doesn't, however, diminish the hazards for the maintenance men.

Durango (population 6,000) is in the southwest corner of Colorado, just east of Mesa Verde National Park, and a little north of New Mexico. It has an elevation of 6,500 feet. Pagosa Springs (population 1,600)

*For personal note, see "Pages with the Editors."

is a little over 7,000 feet in elevation, and Alamosa (population 5,600) skies up to 7,500 feet. It is 153 miles from Alamosa to Durango. Pagosa Springs to Alamosa is 90 miles, and from Pagosa Springs to Durango it is 63 miles. The people in the area raise alfalfa hay and there is some range land. While the climate in this area is very pleasant in the summertime, resembling Flagstaff, Arizona, in the winter months, it is extremely cold.

WHISTLING frigid winds, snows which build up to 15 feet, and treacherous snowslides make telephone maintenance a daily adventure in this continental divide area. To get the job done, despite the elements, the telephone men are armed with the latest tools of repair plus the equipment to battle the snow fields, such as the bulldozers and the unique Snocat.

To know better what the telephone men must face, it is good to be briefed on the terrain of the countryside. The long-distance line was erected many years ago along a wagon road which was the lone outlet at the time to Durango and the San Juan basin from the east. Since that time, the road has almost collapsed because of land and snowslides, washouts, and weathering from the extreme changes in temperature which make maintenance difficult. The downfall of the route came when a new highway through Wolf Creek Pass to the San Juan country was completed. The Elwood Pass road has been abandoned. Only a few ranchers, miners, forest rangers, and telephone patrolmen use it. However, it can still be used if the traveler sets out in a jeep and in the summertime. But the going is rough. The road just misses slide areas, moves its bumpy way through heavy timber, crosses bad bridges and fordable streams. Logs used in corduroy roads for passage through swamps or bogs have rotted away. This makes a crossing almost impossible.

A Big City telephone man might shudder at the route. Part of the road is dubbed "shelf road"—a narrow section slashed into the steep side of the mountain. A frightening drop of hundreds of feet into the creek bed on the opposite side leans away from the steep side of the mountain. All kinds of obstacles, including beaver ponds, stump fields, and slides of huge rocks, stop the telephone man. Often only a Daniel Boone trail is called a road. In some spots, the telephone line cannot be reached from the road. The telephone man must go on foot or on horseback.

When the telephone men have crossed the continental divide through Elwood Pass at an altitude of nearly 12,000 feet above sea level, they start down Timber Hill, a long stretch of downgrade where the men face more line trouble than anywhere else on the route. The roads are hopeless and even the jeep has its moments of pain. Further down on the western slope of the range, the telephone men come to McCormack slide, three miles of the most hazardous terrain on the entire route, both to the line and to the men. The circuits have been moved from the bottom of this permanent slide area to a place nearer the top, but there is still no other method to cross over except by foot. McCormack slide is the maintenance dividing point. To

it patrols come from Alamosa to the east, and from Pagosa Springs on the west, with all vehicles being turned back at the edge of the slide area.

To the ordinary telephone maintenance man, the summertime troubles encountered by the men on this continental divide route should contain enough headaches. But the problems and hazards triple in the winter months.

Like a page from the log of the Byrd Expedition to the Pole are the accounts kept by the hard-hitting telephone men in their own logbook.

January 7th. Crews pulled off Elwood Pass due to blizzard conditions and great danger of slides. February 3rd. Resume clearance of trouble west of McCormack slide. Bulldozer to clear two miles of shelf road. East side blocked by drifts. February 4th. Bulldozer working on east side of pass, making slow progress due to drifts from 10- to 20-feet deep. On west side, Foremen Hays and Cherry and four linemen broke trail with M-7 halftrack to a point halfway between East Fork cabin and Ranger station relief cabin. February 6th. East side—Bulldozers reached Jasper. Must clear most of shelf road between Jasper and Stunner relief cabin before Sno-cat can get through. West side—Hays crew reached Silver Falls cabin with M-7. All trouble cleared from Durango to this point. Bulldozer working on shelf road above East Fork cabin. February 8th. East side—Bulldozers about two miles above Jasper. Slow going on shelf road. Eight feet of snow on level with drifts and slides up to 20-feet deep. West side—All trouble cleared to point three miles east of Ranger station. Took 14 trees out of line and cleared 137 wire breaks yesterday and today. February 13th. East side—Foreman Grgich and three men got through to Stunner with Sno-cat. Cleared two cases of trouble. West side—Two more slides caused trouble at two poles, which was cleared by Hays and his crew. February 16th. East side—Bulldozers released. Road cleared enough now for Sno-cat to operate safely. Men have cleared several cases of trouble. February 18th. East side—All trouble cleared to McCormack slide. Men held up in McCormack cabin due to blizzard. Will return to Elwood cabin if weather clears. It was necessary to travel on snowshoes for two miles due to deep drifts and steep grade on Timber Hill. February 19th. All men back safely at Stunner cabin. Three feet of snow has fallen in last twenty-four hours.

To assist the gallant telephone men in their battle against the wintry

¶ "UNHERALDED, *a group of hardy telephone maintenance men each year wage a heroic battle against Old Man Winter in the wild country of Colorado. They have only one purpose—to keep the line open for the small population living in the small towns in the formidable passes and to keep long-distance service open across the backbone of the continent.*"

wastes over the 42-mile stretch of high country, the Mountain States Telephone & Telegraph Company has come up with the Sno-cat, a new weapon in the struggle to keep maintained the telephone service. The formidable weapon joins the snow planes, snomobiles, and halftracks already in use.

THE Cat is a 4,000-pound machine with four powered pontoons and tracks, so powerful that it can almost climb a pole. The Cat has an aluminum cab capable of carrying four men, and is completely enclosed to shield them against the weather. The cab also contains a heater. For the small comfort of the men, sleeping bags with air mattresses are stored inside, along with a large supply of self-heating canned goods. The men, in an emergency, can sustain themselves for a week or more.

In addition, the Cat can pull a ski-mounted trailer which can carry more than a ton of supplies. Before the advent of the Sno-cat, the telephone men had to don snowshoes and push wearily ahead for two to three days to reach a break in the line. Now, some of the treks have been eliminated by the Sno-cat. Recently, the Cat reached a break on the south side of the pass after traveling over the top, completing a 66-mile round trip in less than a day, and saving three and one-half days of circuit time.

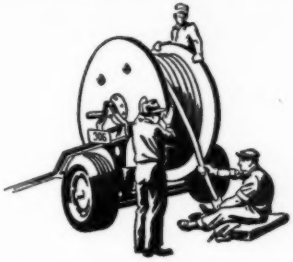
The Sno-cat can cover all of the 42-mile isolated route except one 3-mile stretch. Over this route, the telephone men must still put on the snowshoes. Hardly knowing whether they will be carried away in a snowslide in the next moment, the brave telephone men plod ahead into the precipitous country. It was not uncommon years ago for the men and pack mules to slide down the sides. This is considered the permanent slide area which the line used to cross. It is so dangerous that this portion of the lead has been abandoned. The men were instructed not to set foot on the slide, and the line was rerouted around the top of the slide.

Today, as in the past, the trouble shooters travel in pairs as a safety measure.

A LOT of trouble to the line comes from the extremely heavy forestation. The telephone company has made attempts to remove some of these trees. But the forest rangers estimate that it would be necessary to remove as many as 100,000 trees to eliminate all the difficulties from this source.

The telephone men base the Cat at Alamosa. When it is needed, a hurry-up call is sent by phone and the Cat is brought by truck or trailer as far as it is possible to drive. In bad weather this would be where the wagon road leaves the Gunbarrel road south of Monte Vista. The Cat hurries along at a good pace for about 17 miles to the Stunner cabin, first in the string of shelters set up in the summer months and packed with food and necessary items for the telephone men. Even a small door has been built just under the roof for entrance when the snow piles up too high.

From the Stunner cabin, the going gets much rougher. Back in the thirties, winter maintenance crews carried wire to the scene of a bad slide which disrupted telephone service. And three



Importance of Winter Line Maintenance

"THE icy grip of winter might smash at the telephone lines in the high Colorado country but the courageous trouble shooters, armed with skill, the finest equipment, and a high degree of heroics, almost always repair the broken lines and once more keep the small-town people in the isolated towns in a happy mood. Certainly the maintenance men who work on the continental divide are true heroes in the progress of America."

miles was considered a good day's traveling.

The veteran linemen express their tough grind in a pithy statement: "We had a good year last year. We had our summer on a Sunday."

When the Sno-cat leaves the cabin and these four company-owned cabins are strung along the Elwood Pass line at 5-mile intervals, it can move as far as the McCormack cabin, about four miles down the west side from the top. But then the next three miles become impassable. If the trouble is west of this point, the Cat is taken by truck from Alamosa over Wolf Creek Pass which is generally kept open all winter, to Pagosa Springs and it can then handle the trouble-shooting task from the west side.

THE Cat is one of the biggest joys that has come to the heavy-burdened continental divide trouble shooters. The machine can almost bury itself in a deep snowbank and then work itself out when the driver shakes it. When, on a rare occasion, it cannot climb one of the steepest slopes, a cable can be anchored to a tree or rock at the top, and the Cat literally lifts itself by winching itself up the incline.

BUT even the powerful Sno-cat doesn't eliminate the personal touch of the trouble-shooting telephone man. Snow fills in the cuts on the shelf roads at a steep angle and often makes them impassable. The Sno-cat is stopped. The men take over with the bulldozer and clear some of the snow from the shelves. When this becomes impossible, the men put on their snowshoes and begin the long, wearying trek over the snow, fraught

with dangerous slides. The man's weight can start tons of snow falling in a few moments. The men must carefully pick their way down the center of a slide area after climbing up to and repairing the line damaged by the slide. Often the weight of the ice clinging to trees brings down the line. Snowdrifts also frequently cover the telephone line. The trouble shooters then become shovelers while the wind howls and leaves their faces raw. In some places, the telephone men can touch the crossarms of the 25-foot pole because of the high drifting snow.

EVEN the hardened telephone trouble shooters were amazed last year when trouble came in droves in the Loveland Pass. Hundreds of tons of ice and snow, together with rocks and trees, swept down the towering slopes of the pass in a series of the worst slides in years.

About 1,500 feet of the line were completely wiped out at one spot. When the first slide thundered across Highway 6 one evening, snow, timber, and rocks covered 1,000 feet of highway to depths up to 35 feet, tearing at the heart of the communications line.

The trouble shooters went into action, rolling as far as possible with trucks and then moving ahead on foot to the dangerous area. No sooner had service been restored at the slide, than another slide was reported. The crews again crept over the top of the pass to repair the fresh break. Undeterred, the struggle of telephone men against slides went on until complete service was restored.

Not uncommon to the high country trouble shooters is the dog-sled team. When machines failed to penetrate a particularly severe snow area, the dog sled was brought into play. Transportation, Alaska style, also supplanted men on snowshoes. The latter method required the men to carry their test sets, climbing equipment, and material.

But the method slowed down the men and exposed them to greater hazards and hardships. Snow conditions of 16 inches of new snow on top of a previous fall of from twenty to thirty feet, meant that only a dogsled team could be used.

THE "freight" team of thirteen dogs, consisting of a lead dog and six pairs on the "gang line," was provided last year by Stuart Mace of Ashcroft, Colorado. With the dog-team man went two combination men. The team, after stopping for a rest at a cabin, carried a total of eight miles to the line break. The snow had drifted over the east rim of Cottonwood Pass to form a cap that extended out about four feet through and over the company wires. When the cap settled one wire was pulled in two. To eliminate further trouble, a hand line was placed around one of the men, as he walked out on the cap and shoveled snow and ice from the wires.

When the work was completed, the trouble shooters decided to spend the night in a cabin—to avoid night traveling. Men and huskies slept in the cabin. For the return trip, the men took three hours and fifteen minutes, including time out for progress picture taking.

Men picked for the hazardous job in the high passes come from the small towns nestling in the mountains. Like

the people who live in the small towns, they appreciate the value of good service.

It isn't uncommon for the people to shelter the telephone men. Not uncommon, too, are the rescues made by these brave telephone men. Coming across some trapped persons, a trouble shooter during the last winter's storms was able to lead them to the nearest company shelter and then call in for a snow plane to come to the area.

WHEN conditions in the passes reach a point where there is danger to the lives of the trouble shooters, the efforts are stopped for a short while. But conditions must be extremely treacherous before attempts to right the lines are stopped. The crew of about twenty-five men, operating from the base at Alamosa, keep up the struggle incessantly from the east side of the continental divide until the giant drifts and slides are conquered.

All along the line, from each end to the rendezvous of the crews four miles west of Elwood Pass, numerous repairs are made on the circuits. Last year alone, some 500 inches of snow fell at the top of the pass, playing havoc with the poles and wires. In many places, the ingenious crews had to improvise where the poles were pushed away by slides. Not only did Mother Nature interfere but now and then a deer, with big antlers would, in its attempt to evade the snow, collide with the long-hanging lines and pull the line for a half a mile before disentangling itself.

Accustomed to storms, the trouble shooters term the snowslides the most hazardous of the problems faced in their work. "It is no joke," one of the trouble shooters says, "to have yourself picked up and set sailing along with no sky hook in the vicinity onto which to grab."

EQUIPPED with every safety item available, these hardy outdoorsmen of the telephone line are not afraid.

Many have been at the job for a long time. They like the outdoors and they like to feel that, except for their efforts, the lines and service would be discontinued. The people living in the small towns realize the magnificent efforts of the trouble shooters and are perhaps more tolerant of the short interruption of the service since they understand a little the vast problems encountered by these Mountain States Telephone & Telegraph Company trouble shooters.

The icy grip of winter might smash at the telephone lines in the high Colorado country but the courageous trouble shooters, armed with skill, the finest equipment, and a high degree of heroics, almost always repair the broken lines and once more keep the small-town people in the isolated towns in a happy mood.

Certainly the maintenance men who work on the continental divide are true heroes in the progress of America.

Washington and the Utilities

Too Many Cooks?

ADMITTEDLY reorganization of Federal government agencies has been long overdue and will get primary attention in the new Eisenhower administration. The danger right now seems to be that it will get too much attention from too many people at the same time. It will take all the tact and "general staff" organization of the Eisenhower régime to keep three different investigating Federal agencies from becoming a 3-ring circus. But it can be done; and there are certain natural lines of demarcation for operation of the three different groups of investigators.

What are these groups? (1) A congressional committee investigation, headed by Representative Coudert (Republican, New York), restricted to Federal government-business relations. (2) A revival of the old Hoover Commission, which would take up where the old commission left off and develop new broad basic policies governing the general relationship between Federal, state, local, and business economics. (3) There is a short-range task force already in operation by appointment of President Eisenhower to give him advice on economic co-ordination of his existing Federal agencies, and to cut out all the friction that has developed between different members of the administration's household during the Truman régime.

Coudert's move is in the form of a double-barreled resolution to have Congress investigate Federal government competition with private enterprise. It was dropped in the hopper on the first day of the congressional session by Representative Coudert. One of his measures (H Res 12) would authorize the House Appropriations Committee to find out three things: (1) How many government enterprises are competing with private business? (2) What is this costing the taxpayers? (3) What can be done about selling many of these Federal enterprises back to private investors? Just in case the House Appropriations Committee might raise some objection to taking on such an investigation, Coudert also introduced an alternative resolution, H Res 15, to backstop the first one. This would set up a special "select" committee to handle the same form of investigation.

THE second, the long-range reorganization program, is expected to be accomplished by revival of the old "Hoover Commission." This has now been introduced in both houses of Congress by Senator Ferguson (Republican, Michigan) and Representative Brown (Republican, Ohio). This long-range commission will not duplicate the work of a task force already set up by President Eisenhower to make a short-range study of those reforms recommended by the old 1947 Hoover Commission which were not put into effect. The new commission would explore fields of government reorganization which the old Hoover Commission did not cover.

The long-range commission would be the one most likely to go into the problem of getting the Federal government out of business enterprise. The Ferguson-Brown proposal would set up a commission of twelve members (four from the Senate, four from the House, and four appointed by the President). This commission would use the old Hoover Commission recommendations as a starting point. That group limited

its studies to the efficiency of existing government operations without considering possible changes in such broad basic policy matters as the very nature and purpose of some government activities. The new commission would go into the relationship between the Federal, state, and local governments and the private tax-paying economy. Such proposals as the so-called "Wilson plan," for returning Federal business activities to the enterprise economy, would fall within this scope.

Eisenhower's "short-range" commission, already at work on improving Federal government efficiency, will concentrate on co-ordination between existing agencies. It would leave basic policy matters to the long-range commission, but it will go into such questions of duplication of effort and conflict of authority now apparent in a number of Federal agencies whose work affects public utilities. The report of the short-range commission is expected this spring, with recommendations likely to be acted upon at the present session. The long-range commission, on the other hand, is not directed to report until February 1, 1954.

"Heresy" in the BPA?

ORDINARILY, a statement by a Secretary of Interior to the effect that he favors "any good plan to get the government out of the power business" would be enough of a surprise to last for quite a while in the wake of the Ickes-Krug-Chapman tradition of that office. That is what Governor McKay of Oregon said when he was still governor, before taking over as President Eisenhower's Secretary of Interior. But the thing that prompted McKay's statement was even more startling. It was a proposal by Bonneville Power Administrator Paul J. Raver to get the Federal government out of the power business in the Pacific Northwest. Dr. Raver admits that his position amounts to "heresy" on the part of a Truman appointee, but the well-planned nature of his proposal clearly indicates that it is something which must have been on the good doctor's mind for some time.

Raver told his regional advisory council he favored the formation of an interstate agency, with approval of Congress and the Northwest state legislatures. This would replace the BPA. The proposed interstate agency would have wide administrative and financial powers and would either be appointed by the governors of states concerned or be elected. The new authority would assume powers over the Columbia river dams and construct any new ones. Revenue bonds would be the method of financing. McKay is admittedly considering Clifford H. Erdahl of Tacoma, Washington, prominent in the Northwest power pool system, as a possible replacement for Raver, although the latter may be retained either as head of BPA or in some other capacity.

McKay's favorable attitude toward the Raver plan was based on his discussions with Oregon's U. S. Senator Guy Cordon several weeks ago. He said at that time Cordon had discussed the matter with him, and that "I've got a lot of faith in Cordon's judgment."

IN a telephone interview, Senator Cordon said from Washington, D. C., that he had played a hand in the preparation of the plan outlined by Raver whereby a commission appointed or elected within the Pacific Northwest states would take over the Columbia's development and wholesaling of power now accomplished by the Bureau of Reclamation, Corps of Engineers, and Bonneville Power Administration. Broadly speaking, the Senator said, he favored the changes suggested in the BPA Administrator's speech. He said that while in Portland he had asked Raver to "look into it from an operations standpoint."

His conversations with Raver were about changes that would bring a greater measure of local control of Columbia river development, Cordon said.

Private power company spokesmen said they had discussed among them-

selves for more than a year the possibility of bringing a "greater local voice in management of our power affairs."

FROM Olympia, Governor Arthur Langlie of Washington agreed with Raver's proposal, although he said that a co-operative arrangement should be worked out between the regional authority and the Federal government so that the Federal investment in power should be protected until paid off.

Langlie also argued that there are some projects that could not be financed except through the Federal government and that a co-operative program should be arranged to finance needed construction that could not be handled in any other way.

One private power company spokesman said that Raver's proposal was "all to the good," adding that development of the Columbia may be had independently of Federal financing.

"This would take our power problems out of the political arena," he said, "and enable us to meet them on an everyday business basis which would be tied into the economic demands of the region."

He also suggested that if the Federal Treasury is relieved of the need of putting money into power dam construction, it would be more able to finance other aspects of regional development.

"The general policies of power development would be determined by the people of the region instead of by what Washington, D. C., policy makers think is proper," said this man.

He also cited the success of the voluntary Northwest power pool as indicative of the type of arrangement that may be worked out.

From a public power spokesman came more commendation for Dr. Raver's proposal. Ford Northrup, assistant superintendent of the Eugene water board, a municipally owned power generator and distributor, said that he had made a much similar proposal in September.

"It is the grandest thing imaginable," Northrup said of Raver's plan. Northrup for two years was president of the Northwest Public Power Association.

Gas Curbs to Linger On

"UNTIL the (gas) industry gets sufficient pipeline capacity and increases its underground storage and other peak-shaving devices, it will have to put up with a control of the growth of its market in some areas." This is the conclusion of Petroleum Administration for Defense Deputy Administrator J. Ed Warren in a PAD report made public late in December by the then Secretary of Interior Chapman. This study, entitled "Gas Requirements and Supplies of the Gas Utility Transmission and Distribution Industry," has been under preparation by the PAD Gas Planning Division for some months.

Warren said that PAD hopes to remove its space-heating curb Order No. 2 "just as soon as the defense need for the order passes." Warren did not give any date, however, except to say that it would not be "too far in the future." At that time, he added, it will be up to the industry to continue close co-operation with state regulatory commissions, in order to retain any necessary curbs on a possible runaway gas market.

The PAD report indicated that natural gas utilities will have to carry out a continuing program of new line construction through 1955, if all potential customers are to be given peak-day demand service. The figures indicate that supply will be ample enough for peak-day loads in the 1952-53 winter if the weather is normally cold. Peak-day demands of all potential customers are expected to rise to 38 billion cubic feet by the winter of 1955-56, however, up 50 per cent from the 1951-52 peak-day requirement of 25.3 billion cubic feet. Utilities already have planned expansion to take care of much of the increase. The report points out, though, that they will need an additional daily supply of about 1 billion cubic feet in the winter of 1953-54, 1.7 billion cubic feet in 1954-55, and almost 3 billion cubic feet in 1955-56 if all potential customers are to be supplied.

The figures were prepared by 200 of the larger gas companies.

Exchange Calls And Gossip

REA Reviews 1952 Rural Phone Loan Activity

THE rural telephone loan program of the Rural Electrification Administration in 1952 resulted in large-scale construction for the first time since it was authorized in October, 1949. REA approved in 1952 telephone loans almost equal in amount to the combined total for the two previous years of the program. Total approved loans were $54,000,000 at the end of 1951. They are now nearly $106,000,000.

During 1952, many REA telephone borrowers completed the long period of sign-up of subscribers, engineering design, and construction, and placed into operation 18 of the 20 automatic dial systems now in service. Since the middle of November, an average of more than one new REA-financed system per week has gone into service. Already, new REA-financed dial telephones are in service in more than one-fourth of the states: Virginia, Minnesota, New York, North Carolina, Tennessee, South Carolina, Louisiana, Indiana, Georgia, Texas, West Virginia, New Mexico, and Iowa. Texas and Iowa lead with three systems in service. The third cutover (to dial service) in South Carolina is scheduled in the near future. Other states, according to REA, are being added rapidly. Funds actually have been advanced to about 100 telephone borrowers, totaling more than $17,000,000. The first repayment due under the telephone program was made on schedule in September by a Virginia borrower, the Fredericksburg-Wilderness Telephone Company at Chancellor. Of the 20 new REA-financed telephone systems in service, two are owned by long-established nonprofit companies, six by newly formed farmer co-operatives, and the others by independent commercial companies, most of which have been in business since the early years of this century.

IF Congress accepts President Truman's budget, REA would get an increase in its lending authority for telephone loans for the fiscal year 1953-54. Assuming Congress makes no changes in the President's budget recommendations, REA will get $65,000,000 for the rural telephone program as compared with $35,000,000 (plus) estimated to be spent during the current fiscal year. In his budget message, the President said this increase would offset a $30,000,000 reduction in REA's rural electrification program. Actually, however, REA would not only get $135,000,000 in new rural electric lending authority during fiscal 1954, compared with $165,000,000 estimated to be spent this year, but also an additional $60,000,000 contingency fund. The rural telephone program would get no contingency fund, although it had and spent a small one during this fiscal year. For salaries and expenses, the REA budget calls for $9,000,000 in 1954, as compared with $8,287,980 in 1953. However, the current expectations are that Congress will make substantial reductions in both lending authority and REA administration expenses.

Ohio Commission Grants Two Rate Boosts

THE public utilities commission of Ohio has granted the General Tele-

phone Company a $1,326,813 annual rate increase and ordered the firm to install new equipment in approximately an equal amount to improve its service.

The new type of order, one of the longest ever issued by the commission, spelled out in detail improvements to be made in 87 out of General's 136 exchanges. The improvements ranged from simple cable additions to dial conversions for entire exchanges.

Most of the installations were to be completed by March 31, 1953, and all but two were to be finished by the end of the year.

The commission set completion and reporting dates for all the projects.

The order was the first to use the findings and recommendations of the commission's staff of five field engineers, hired during the past year and a half to make regular inspections and reports on every telephone exchange in the state.

Commission engineers refused to make a detailed estimate of the amount of the cost of the installations but said it would be "in excess of a million dollars."

The commission based its order on the testimony of these engineers and of company witnesses presented at several hearings between September 8 and October 30, 1952, where 57 protesting counties, communities, and organizations appeared.

It found that the company's valuation, for rate-making purposes, should be not less than $19,279,195 as of June 30, 1952, and that the increase would yield a 5.8 per cent rate of return on this figure.

The commission also found General's service "ranges from poor to excellent and . . . it clearly appears that in some exchange areas (the company) should be required to improve its service."

THE commission took special note in retaining jurisdiction over several matters that "in many instances delivery of new equipment has been slow."

Nevertheless it was stated that "many of (the company's) subscribers are not receiving the quality of service which they are entitled to receive."

A sampling of the commission's installation orders showed the improvements were to go like this:

Beaver Exchange — The company shall effect the conversion of the exchange to dial operation with additions to interexchange circuits, on or before March 31, 1953, and file with the chief engineer of this commission a compliance report within thirty days after the dial system is cut into operation.

Piketon Exchange — The company shall replace the existing dial system with one of larger capacity on or before March 31, 1953. Concurrent with the establishment of the new dial central office, the company shall enlarge the existing distribution system as required and increase circuit complements between Piketon and exchanges Beaver, Idaho, and Waverly.

Farmer Exchange — The company shall effect required tree trimming in the existing area not later than June 30, 1953. Additional Bryan circuits shall be provided as required incident to the conversion of the Bryan exchange.

General originally asked for a $1,032,600 annual rate increase on June 28, 1951, but asked for a temporary emergency increase when told the case could not be heard for several months because of the unusually large number of cases pending before the commission at that time.

It received one of the first emergency increases in the commission's history February 20, 1952, in the amount of $728,565.

Supplemental applications filed April 8 and June 11, 1952, boosted the amount of the increase sought to $1,326,813.

IN a concurrent action, the Ohio commission granted the Ohio Consolidated Telephone Company the annual rate increase requested by the company.

Consolidated figured the proposed rates would yield annual revenues of $872,834. However, commission accountants figured the new rates would bring in only $864,263 a year.

In the same order, the commission required Ohio Consolidated to install hundreds of thousands of dollars worth of new equipment designed to improve its service.

Improvements were ordered for 35 out of the company's 39 exchanges.

Ohio Consolidated became the first telephone company in commission history to ask for a temporary emergency rate increase when it filed its application September 29, 1951. This filing was made when the company learned the commission could not hear its original case, filed July 23, 1951, for several months.

The firm filed a supplemental application April 8, 1952.

The recent order recommended a rate base of $9,574,200 and found the new rates would bring a 5.62 per cent annual rate of return on this valuation. The Consolidated order followed the new pattern set in the case of the General Telephone Company of Ohio, described above.

General and Consolidated are the two largest independent telephone companies in the state.

TAKING note of several factors peculiar to the telephone industry, the commission said:

> Public demand for telephone service continues to grow and peak demands on available facilities are too frequently overtaxed even in those service territories where the quality of service is considered to be excellent. It is axiomatic that no telephone company can improve and expand its service unless such company is producing sufficient earnings to attract the necessary and additional capital required to meet its demands for service.
>
> The commission is not unmindful of the fact that in the matter of rate making it is confronted with factors beyond its control such as Federal income tax, increased labor costs, increased material costs, and the general economic conditions, and the commission recognizes that these factors produce an extreme impact upon rate making for public utilities.
>
> The commission wishes to commend the applicant company for the installation of a large amount of new plant and equipment, as was shown by the evidence, despite the fact that the company faced numerous difficulties as a result of delays in delivery of equipment and materials. However, it is the opinion of this commission that not all of the subscribers are presently receiving the quality of service from the applicant company which they are entitled to receive. And the commission therefore finds that, in some of its exchanges, the applicant company is not now furnishing and providing with respect to its business such instrumentalities and facilities as are adequate and in all respects just and reasonable.

Southern Bell Granted Rate Increase

SOUTHERN BELL TELEPHONE & TELEGRAPH COMPANY has been authorized to increase its Kentucky rates—its fifth rate raise since 1946. The Kentucky Public Service Commission approved increases in charges for local and intrastate long-distance service designed to bring in $740,941 more revenue a year. The company had asked permission to increase its rates enough to bring in $2,582,000 a year more in revenue.

The commission-approved increases are calculated to enable Southern Bell to earn 6 per cent on its net average intrastate investment in telephone plant. Southern Bell's Kentucky manager described the commission's order as "extremely disappointing," adding that "it provides for earnings at only a bare subsistence level. I had hoped that our request for relief would be considered realistically and that provision would be made for at least the minimum revenues required to obtain necessary capital for carrying forward a construction program in keeping with Kentucky's growing needs. The earnings prescribed in the order simply are not adequate . . ."

Financial News and Comment

By OWEN ELY

Outlook for the Bell System

In connection with a series of luncheon talks with utility analysts, the New York Telephone Company recently issued an interesting booklet of facts and figures entitled "For Telephone Progress," which had been prepared by Vice President Russell H. Hughes. Much of the data related to the Bell system as a whole. The charts and their accompanying comments gave an excellent picture of the progress, objectives, and problems of the Bell system, hence a summary may interest our readers.

Since 1945 the Bell system has attracted $5 billion of investors' capital or about one-seventh of the $35 billion raised by all corporations. The system has had to obtain 96 per cent of its new capital in the postwar period from investors, while ten leading electric companies had to obtain only 88 per cent (the rest being derived from depreciation, retained earnings, etc.). The companies represented in the Dow-Jones industrial average financed most of their construction through retained earnings, depreciation and depletion, etc., raising only 26 per cent by sales to investors.

Over half of the Bell system's new capital (in the postwar period through July, 1952) was in the form of debt, the character of the financing being as follows on that date:

Debt	*Per Cent*		*Billions*
General Debt	41%		
Convertible Debentures	14	55%	$2.8
Common Stock Equity			
Resulting from Conversion of Debentures	33%		
Sold to Employees ...	8		
Retained Earnings ...	4	45%	$2.4
Totals		100%	$5.2

A very large percentage of the Bell system's new equity capital has been obtained through sale of American Telephone and Telegraph convertible debentures which, in turn, were converted into common stock. This huge equity capital has been obtained because of investors' faith in the future stability and growth of the Bell system, despite the fact that AT&T has not increased its dividend for many years. Leading electric companies have raised their divi-

Department Index

dends 10 per cent (on the average) since 1940, and the industrial companies in the Dow-Jones average have raised theirs 131 per cent.

The comparisons between the Bell system and the average electric utility were shown in some of the charts, as illustrated in the table below.

These basic distinctions between the Bell system and the electric utilities seem due largely to the fact that the telephone business is relatively an industry of "decreasing returns"—since facilities must be provided so that each new customer may be interconnected with an ever-increasing number of old customers. The cumulative effect of this factor on operating costs has been obscured by the great increase in efficiency resulting from gradual mechanization of the business, as well as other improvements developed by Bell Laboratories, Western Electric, and AT&T itself.

Not only is more plant investment needed per phone call as the business grows, but the normal usage which customers make of their telephones is a factor that must be taken into account. The fact is that the number of calls per customer has actually decreased in recent years, probably due to the greater number of phones used per employee by business establishments and to a rapid increase in the proportion that residence telephones are of the total. Thus, the telephone company has been unable to benefit fully by the kind of growth which has meant so much to the electric utilities—increased use of facilities by each customer. However, the telephone long-distance business has grown considerably in recent years and this benefits the telephone business in much the same way that using more electricity per customer benefits the electric business.

THE Bell system has also suffered (as compared with the electric companies) because of its relatively high payroll expense, as indicated above. It has been much easier for the electric utilities to increase output per employee than for the telephone companies. In 1951 the Bell system had to pay out 80 per cent more in payroll cost for each telephone call than in 1939, while the payroll expense for the electric utilities increased very little per kilowatt hour. The Bell system now has to pay out over twice as large a percentage of its revenues for payroll as the electric utilities. Largely as the result of these heavy payroll costs, the Bell system carries down to common stock earnings a smaller percentage of revenues than the electric utilities. This means that any general decline in revenues may pose a more serious future problem for the Bell system management. This in turn indicates the need for a more conservative debt ratio for the AT&T system.

During the period 1922-1951 the average of the year-to-year changes in rate of earnings, and the resulting differences in debt ratios, are indicated in the following figures:

	Year-to-year Earnings Changes	*Debt Ratios*
20 Operating Electric Companies	5%	45%
Bell System	9	35
20 Manufacturing Companies	24	13

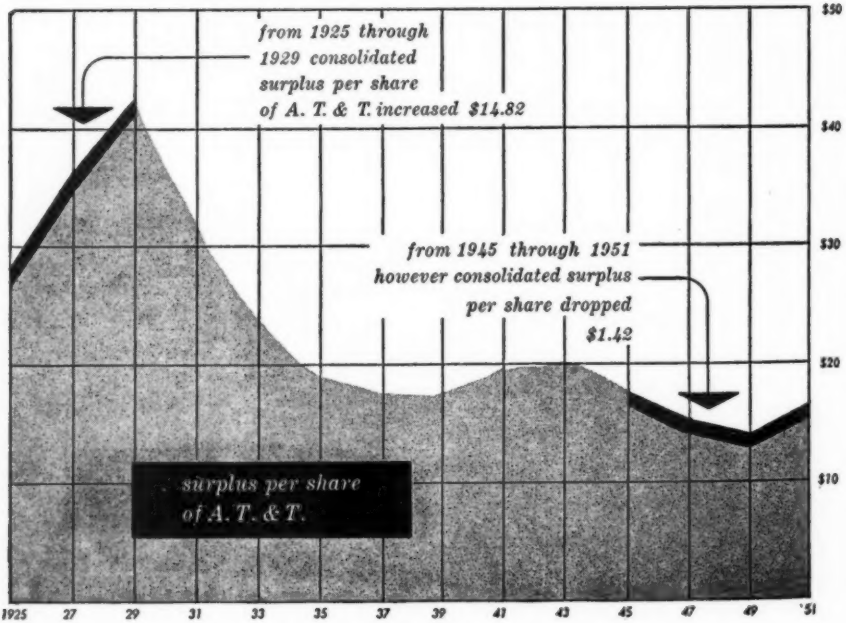
	Bell System		*Electric Cos.*	
	1939	*1951*	*1939*	*1951*
Plant Per Unit of Output*	15.00¢	16.08¢	10.27¢	7.49¢
Sales Per Customer (Calls and KWH)	2,592	2,394	3,924	7,192
Payroll Expense Per Unit*	1.40¢	2.53¢	.372¢	.384¢
Per Cent of Revenues Required for Payroll	37.7%	44.7%	17.6%	21.2%
Approx. Per Cent of Revenues Available for Return on Capital	23%	14%	32%	18%

*The unit for electric companies is one kilowatt hour, and for the Bell system one phone call.

ANOTHER point made by Mr. Hughes was that surplus earnings required to tide over poor times must be secured in years of good business, like those of the postwar period. As shown in the accompanying chart, American Telephone and Telegraph was able to take advantage of the 1925-29 period of prosperity to increase its surplus substantially—but this ground was more than lost during the ensuing depression, and only a small part of the lost ground was recovered in the period 1940-43. After 1943 surplus started on a fresh decline which had been only about half recovered at the end of 1951.

Moreover, in order to maintain the $9 dividend rate and obtain the huge amounts of equity capital required, AT&T has been forced to pay out a substantially larger amount of its earnings in recent years than it did in the period 1926-29—despite the fact that manufacturing companies have a substantially lower pay-out now than in the 1920's. Mr. Hughes stated that in active business periods the dividend pay-out for the Bell system should not be more than 60-70 per cent, although the pay-out during 1946-51 averaged about 88 per cent.

Mr. Hughes pointed out that the rate of earnings on new common stock sold by investment-grade electric utilities in recent years has averaged about 10 per cent, and that the same rate is required on AT&T stock (or on the proportion of the rate base represented by stock). It is the objective of the Bell system to have its capital structure two-thirds equity and one-third debt. This objective would be substantially attained if present convertible debentures were all converted into common stock, and if employees' instalment contracts to purchase stock were all completed. Figuring a 3 per cent return on debt and 10 per cent return on common stock (with ratios of one-third and two-thirds as explained)



would mean an average return on the entire investment of 7¼ per cent-8 per cent.

THE Bell system, like other utility companies, has suffered heavily from the impact of inflation—in other words, costs have risen faster than rates. This has been recognized by the New York Public Service Commission, which stated that "the future of this company may well be seriously affected by further advances in the inflationary spiral in common with many segments of American industry."

The Bell system has made considerable progress in convincing the public of its financial needs, and the regulatory bodies with which it deals throughout the country have given partial recognition to these needs. Thus in over 100 rate proceedings since 1940, upward rate adjustments have been accomplished, and total rate increases since 1946 (through July, 1952) have been equivalent to nearly $600,000,000 in increased revenues. However, since 1940 the average increase in telephone rates has been only 23 per cent compared with a 92 per cent gain in consumer prices. Moreover, many of the rate adjustments have lagged, sometimes coming months after the need for them had become urgent. Thus the Bell system must continue to press its program of educating the public and the commissions as to the need for prompt and adequate adjustments in rates, rather than increases which may prove "too little and too late."

Natural Gas Earnings Improve

As shown in the chart on page 176, monthly net income of the class A and B natural gas companies has shown a reversal after the sharp dip below 1950-51, during the four months May-August. While August net income was 35 per cent below last year, September showed a gain of 46 per cent and October a jump of 58 per cent. Operating revenues in October were 26 per cent over last year, compared with 21 per cent in September and 19 per cent in August.

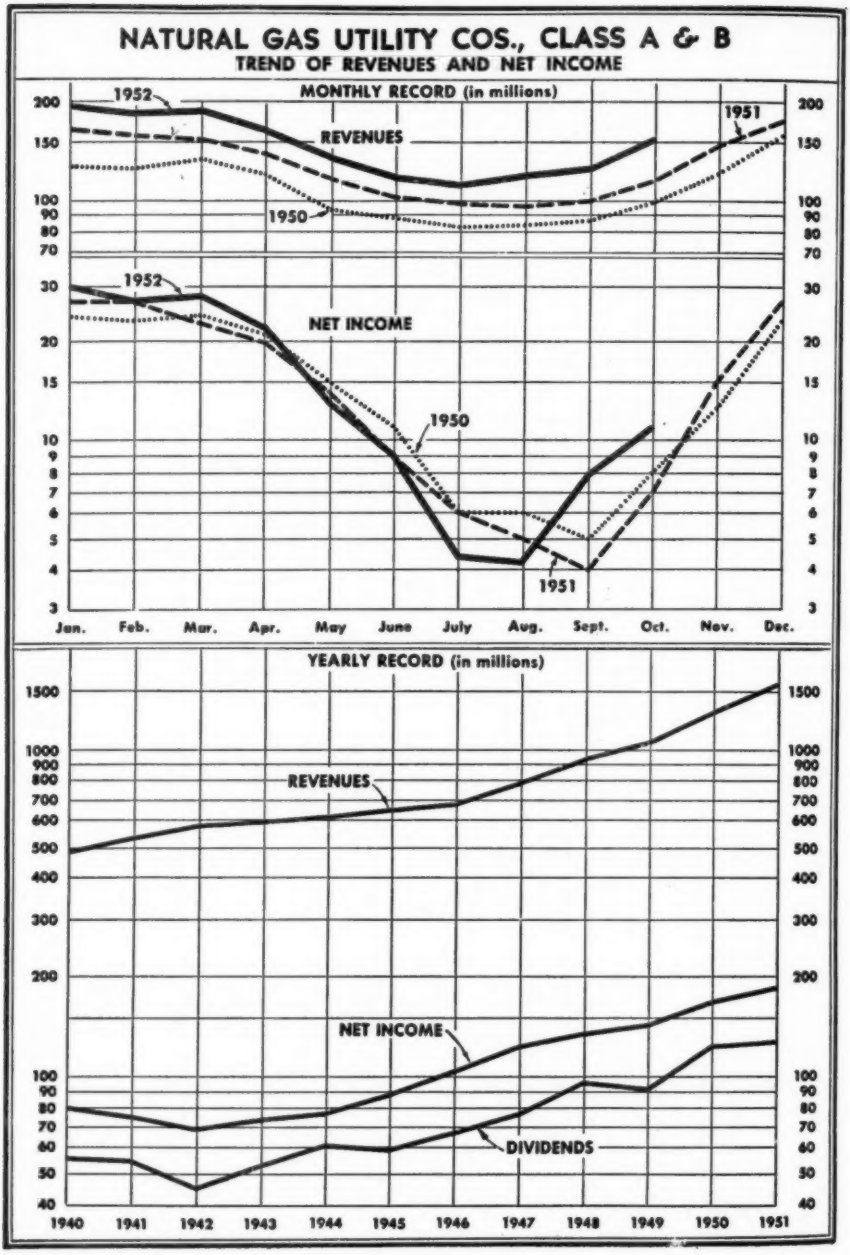
However, too much importance should not be attached to the monthly figures taken in relation to the previous year, during the seasonal period of low earnings. For the twelve months' period ended October 31st, net income of natural gas companies gained only 6 per cent compared with a gain in revenues of 17 per cent, and this despite the fact that income taxes increased only about 6 per cent. During the twelve months' period purchased gas cost 21 per cent more than last year, and in the month of October nearly 34 per cent over October, 1951. Had income taxes increased in the same proportion as revenues, the October gain in net income would have been reduced to 34 per cent, and in the twelve months' statement there would have been hardly any gain in net income.

As of October 31, 1952, net gas utility plant showed an increase of 14.3 per cent over last year, so that the gain in income during the twelve months ended

CURRENT YIELD YARDSTICKS

		1952 Range		*1951 Range*	
	Recent	*High*	*Low*	*High*	*Low*
U. S. Long-term Bonds—Taxable	2.78%	2.78%	2.56%	2.74%	2.39%
Utility Bonds—Aaa	3.02	3.08	2.93	3.09	2.64
Aa	3.09	3.11	2.99	3.18	2.70
A	3.24	3.31	3.21	3.32	2.82
Baa	3.50	3.58	3.46	3.58	3.21
Utility Preferred Stocks—High-grade ...	4.01	4.24	3.94	4.25	3.77
Medium-grade.	4.44	4.71	4.33	4.71	4.19
Utility Common Stocks	5.11	5.59	5.08	6.14	5.62

Latest available Moody indices are used for utility bonds and preferred stocks; Standard & Poor's indices for government bonds and utility common stocks.


NATURAL GAS UTILITY COS., CLASS A & B
TREND OF REVENUES AND NET INCOME
MONTHLY RECORD (in millions)
REVENUES
1952
1951
1950
NET INCOME
1952
1950
1951
Jan.
Feb.
Mar.
Apr.
May
June
July
Aug.
Sept.
Oct.
Nov.
Dec.
YEARLY RECORD (in millions)
REVENUES
NET INCOME
DIVIDENDS
1940
1941
1942
1943
1944
1945
1946
1947
1948
1949
1950
1951

October (10 per cent in gross and 6 per cent in net income) was insufficient to earn a fair return on the new capital.

New York Commission Raps Municipal Plant Power Costs

THE city of Jamestown, New York, which operates a municipal electric utility, applied last June for substantial increases in all its rates. On December 9th the public service commission approved the increases but took the occasion to make some rather caustic comments on the operating costs of this municipal utility. Under the old rates the utility had estimated revenues for 1952 of $1,885,069 and an operating deficit of $131,846. Production expenses were $1,040,246, depreciation $491,475, and a tax equivalent charge of $175,000 was made. (There were also some miscellaneous expenses.) The depreciation rate was found to be rather high and the city reduced the rate for 1953, but even after adjusting for the lower depreciation charge, actual operations for the year ended September 30, 1952, showed an operating loss in excess of $14,000.

*UTILITY NEW MONEY FINANCING
(In Millions)

	Month Of December	*Year 1952*	*% Increase Over 1951*
Electric Utilities			
Bonds	$ 99	$1,075	10%
Preferred .	2	207	8
Common .	—	412	14
Totals .	$101	$1,694	11%
Gas Utilities			
Bonds ...	8	472	D 19%
Preferred .	5	90	109
Common .	—	94	13
Totals ..	13	656	D 7%
Total Electric and Gas —	$114	$2,350	5%

*As compiled by the Irving Trust Company. D—Decrease.

The commission pointed out that the Jamestown plant's allowance for taxes was $45,000 less than a private utility would pay for local taxes, and moreover it is free of Federal income taxes. The primary cause of the poor financial showing was that the plant was being operated very inefficiently, with the new unit operating at only 42 per cent of capacity. Production cost was estimated to average 6.93 mills per kilowatt hour as compared with 4.40 mills for a comparatively small private unit near by. As a result, the increased residential rates to be paid by residents of Jamestown will be 11.4 per cent in excess of rates being paid by customers of a private utility serving adjacent territory.

THE commission also remarked that the proposed general increase in Jamestown rates, averaging 18.84 per cent, is (with the exception of an increase given another municipality in 1949) the highest yet granted to any electric utility to meet the modern inflationary trend. The commission stated:

> Present and proposed costs of electric service in the city of Jamestown are not, at root, the fault of operational management. The large privately owned utility systems are so integrated that surplus power in one section flows to points of peak demands in other sections. Distribution over a wide area promotes flexibility in the operation of generating facilities. The resulting efficiency and economy of operations produce low-cost power. The city of Jamestown will be unlikely to solve the problem of efficient operation of its new generating plant until the night power load expands threefold, so that it is enabled to run at high and uniform rates, or the city finds a market elsewhere for its surplus power.

The commission's decision again calls attention to the great advantage enjoyed by municipal utilities in the matter of tax savings and low capital charges. But in some cases even these great advantages are insufficient to offset the high produc-

tion costs resulting from small-scale, inefficient operation.

THE commission made complimentary reference to the ability of the utility industry generally to offset inflation by increased efficiency. "No product or service so intimately affecting the lives of so many people and so directly influencing the costs of so many products has been more resistant to the inflationary trend of our times than electricity. . . . As an element in the cost of goods it has remained comparatively unchanged while almost all other direct components have kept pace with the rising trend."

CURRENT ELECTRIC UTILITY STATISTICS AND RATIOS

	Unit	Latest Month	Latest 12 Mos.	Per Cent Increase Latest Month	Latest 12 Mos.
Operating Statistics (November)					
Output KWH—Total	Bill. KWH	33.7	395.6	5%	8%
Hydro-generated	"	6.5	—	D19	—
Steam-generated	"	27.2	—	12	—
Capacity	Mill. KW	80.9	—	—	8
Peak Load (September)	"	67.0	—	8	—
Fuel Use: Coal	Mill. Tons	9.9	—	—	—
Gas	Mill. MCF	69.9	—	32	—
Oil	Mill. Bbls.	7.2	—	31	—
Coal Stocks	Mill. Tons	41.8	—	6	—
Customers, Sales, Revenues, and Plant (October)					
KWH Sales—Residential	Bill. KWH	5.0	62	12	13
Commercial	"	4.1	48	9	8
Industrial	"	12.6	138	9	8
Total, Incl. Misc.	"	28.7	327	9	7
Customers—Residential	Mill.	30.9	—	4	4
Commercial	"	4.4	—	2	2
Industrial	"	.5	—	3	3
Total	"	38.1	—	3	3
Income Account—Summary (October)					
Revenues—Residential	Mill. $	147	1,789	11	11
Commercial	"	111	1,298	8	8
Industrial	"	140	1,549	9	6
Total, Incl. Misc. Sales	"	439	5,098	9	8
Sales to Other Utilities	"	38	412	11	5
Misc. Income	"	9	218	D3	8
Expenditures—Fuel	"	86	894	9	6
Labor	"	92	1,062	10	8
Misc. Expenses	"	76	835	11	3
Depreciation	"	43	499	9	7
Taxes	"	98	1,206	2	9
Interest	"	27	306	12	11
Amortization, etc.	"	—	12	D61	D49
Net Income	"	65	914	21	15
Pref. Div. (Est.)	"	11	126	11	8
Bal. for Common Stock (Est.)	"	54	788	26	18
Com. Div. (Est.)	"	49	567	10	8
Bal. to Sur. (Est.)	"	5	221	—	119
Electric Utility Plant (October)	"	22,314	—	10	—
Reserve for Depreciation and Amort.	"	4,531	—	8	—
Net Electric Utility Plant	"	17,781	—	11	—
Life Insurance Investments (January 1st-December 27th)					
Utility Bonds	"	—	794	—	8
Utility Stocks	"	—	86	—	35
Total	"	—	880	—	11
% of All Investments	"	—	9%	—	16

RECENT FINANCIAL DATA ON GAS COMPANY STOCKS

1951 Rev. (Mill.)			1/7/53 Price About	Dividend Rate	Approx. Yield	Share Earnings* Current Period	Share Earnings* % Increase	Share Earnings* 12 Mos. Ended	Price-Earn. Ratio	Div. Pay-out
		Pipelines								
$30	S	Mississippi River Fuel ...	37	$2.20	5.9%	$3.27	D1%	Sept.	11.3	67%
47	S	Southern Natural Gas ...	29	1.40	4.8	2.37	11	Sept.	12.2	59
76	O	Tenn. Gas Trans.	26	1.40	5.4	1.60	12	Sept.	16.3	88
84	O	Texas East. Trans.	18	1.00	5.6	1.76	D2	Dec.	10.2	57
40	O	Texas Gas Trans.	17	1.00	5.9	1.19	D30	Sept.	14.3	84
39	O	Transcontinental Gas	23	1.40	6.1	1.32	15	Sept.	17.4	106
		Averages			5.6%				13.6	
		Integrated Companies								
98	S	American Natural Gas ..	35	$1.80	5.1%	$2.16	D19%	Sept.	16.2	83%
188	S	Columbia Gas System ...	15	.90	6.0	.89	D26	Sept.	16.9	101
9	O	Commonwealth Gas	20	.25#	1.3	.87	18	Dec.	—	29
8	A	Consol. Gas Util	14	.75	5.4	1.42	D10	July	9.9	53
159	S	Consol. Nat. Gas	57	2.50	4.4	4.67	D6	Sept.	12.2	54
62	S	El Paso Nat. Gas	37	1.60	4.3	2.97	—	Oct.	12.5	54
27	S	Equitable Gas	23	1.30	5.7	1.82	—	Sept.	12.6	71
13	O	Interstate Nat. Gas	43	2.50	5.8	3.27	1	Dec.	13.1	76
9	O	Kansas-Neb. Nat. Gas ..	22	1.25	5.6	2.11	36	Dec.	10.4	59
59	A	Lone Star Gas	27	1.40	5.2	1.50	D13	Sept.	18.0	93
11	O	Mountain Fuel Supply ..	21	.80	3.8	1.23	6	Sept.	17.1	65
42	A	National Fuel Gas	15	.80	5.3	1.28	6	Sept.	11.7	63
3	O	National Gas & Oil	8	.60	7.5	.72	NC	Sept.	11.1	83
40	S	Northern Nat. Gas	46	1.80	3.9	2.57	15	Sept.	17.9	70
25	A	Oklahoma Nat. Gas	39	2.00	5.1	3.36	21	Nov.	11.6	60
19	A	Pacific Pub. Serv.	17	1.00	5.9	1.47	D34	Dec.	11.6	68
52	S	Panhandle East. P. L. ...	80	2.50#	3.1	4.30	55	Sept.	18.6	58
8	O	Pennsylvania Gas	18	.80	4.4	1.81	20	Dec.	9.9	44
92	S	Peoples Gas Lt. & Coke ..	135	6.00	4.4	9.84	7	Sept.	13.7	62
17	O	Southern Union Gas	20	.80	4.0	1.06	D30	Dec.	18.9	76
3	O	Southwest Nat. Gas	8	.20	2.5	.62	51	June	—	32
126	S	United Gas Corp.	28	1.25	4.5	1.40	D8	Sept.	20.0	89
		Averages			4.7%				14.2	
		Retail Distributors								
25	O	Atlanta Gas Light	22	$1.20	5.5%	$1.78	D11%	June	12.4	67%
44	S	Brooklyn Union Gas	26	1.50	5.8	2.13	2	Sept.	12.2	70
22	O	Central Electric & Gas ..	13	.80	6.1	1.03	14	Sept.	12.6	78
3	O	Consumers Gas	26	1.00	3.8	1.47	31	Dec.	17.7	68
5	O	Hartford Gas	38	2.00	5.3	2.39	D11	Dec.	15.9	84
9	O	Houston Natural Gas ...	20	.80	4.0	1.32	D11	July	15.2	61
10	O	Indiana Gas & Water	23	1.40	6.1	1.75	D14	Nov.	13.1	80
5	A	Kings County Lighting ..	9‡	.60	6.3	.94	40	Sept.	10.1	64
29	S	Laclede Gas	10	.50	5.0	.92	3	Sept.	10.9	54
19	O	Minneapolis Gas	23	1.10	4.8	1.27	4	Sept.	18.1	87
6	O	Mobile Gas Service	31	1.80	5.8	3.17	12	Sept.	9.8	57
5	O	New Haven Gas Light ..	27	1.60	5.9	1.53	D20	Dec.	17.6	105
7†	O	New Jersey Natural Gas	15	1.00Est.	6.7	(a)	—	—	—	—
4	O	North Shore Gas	54	3.40	6.3	3.76	4	June	14.4	90
124	S	Pacific Lighting	58	3.00	5.2	4.30	22	Sept.	13.5	70
11	O	Portland Gas & Coke	19	.90	4.7	1.84	12	Sept.	10.3	49
5	O	Seattle Gas	17	.80	4.7	1.24	D4	Sept.	13.7	65
5	O	South Jersey Gas	17	1.00	5.9	.95	27	Sept.	17.9	33
5	O	Springfield Gas Light ...	32	1.60	5.0	1.63	—	Dec.	19.6	98
19	S	United Gas Improvement .	33	1.55	4.7	2.06	1	Sept.	16.0	75
27	S	Washington Gas Light ...	31	1.80	5.8	2.15	D3	Sept.	14.4	84
3	O	West Ohio Gas	16	.80	5.0	1.01	23	Mar.	15.8	79
		Averages			5.2%				14.8	
		Canadian								
14	S	International Utilities	30	$1.40	4.7%	$1.88	18%	Sept.	16.0	74%

RECENT FINANCIAL DATA ON TELEPHONE, TRANSIT, AND WATER COMPANIES

1951 Rev. (Mill.)			1/7/53 Price About	Dividend Rate	Approx. Yield	Share Earnings* Current Period	% Increase	12 Mos. Ended	Price-Earn. Ratio	Div. Payout
		Communications Companies								
		Bell System								
$3,369	S	Am. Tel. & Tel. (Cons.)	161	$9.00	5.6%	$11.40**	D8%	Aug.	14.1	79%
28	O	Cinn. & Sub. Bell Tel. ..	74	4.50	6.1	4.56	D1	Dec.	16.2	99
106	A	Mountain States T. & T.	105	6.00	5.7	6.32	34	Sept.	16.6	95
203	A	New England Tel. & Tel.	113	8.00	7.1	6.96	D29	Sept.	16.2	115
478	S	Pacific Tel. & Tel.	116	7.00	6.0	8.07**	D5	Aug.	14.4	87
62	O	So. New England Tel. .	35	1.80	5.1	1.88	D11	Dec.	18.6	96
		Averages			5.9%				16.0	
		Independents								
9	O	Central Telephone	13	$ .80	6.1%	$1.35	24%	Sept.	9.6	59%
85	S	General Telephone	35	2.00	5.7	3.06	43	Nov.	11.4	65
11	A	Peninsular Telephone..	48	2.50	5.2	3.50	D7	Sept.	13.7	71
13	O	Rochester Telephone ..	14	.80	5.7	1.45	2	June	9.7	55
		Averages			5.7%				11.1	
		Transit Companies								
14	O	Cincinnati Transit	3	—	—	—	—	—	—	—
9	O	Dallas Ry. & Terminal	14	$1.40	10.0%	$2.46	40%	Dec.	5.7	57%
227	S	Greyhound Corp.	13	1.00	7.7	1.26	6	Sept.	10.3	80
22	O	Los Angeles Transit ..	10	.63	6.3	.79	55	Dec.	12.7	80
31	S	National City Lines ...	14	1.00	7.1	1.91	—	Dec.	7.3	52
73	O	Philadelphia Trans. ...	5	—	—	Deficit	—	Sept.	—	—
7	O	Rochester Transit	4	—	—	1.12	—	Dec.	3.6	—
26	O	St. Louis P. S. A	13	1.40	10.8	.35	D15	Dec.	—	286
4	O	Syracuse Transit	18	2.00	11.1	1.75	D40	Dec.	10.3	116
24	O	United Transit	2½	—	—	.62	29	Oct.	—	—
		Averages			8.8%				8.3	
		Water Companies								
		Holding Companies								
26	S	American Water Works	9½	$ .50	5.3%	$ .65	D28%	Sept.	14.6	77%
4	O	New York Water Serv.	46	.80	1.7	1.98	3	Sept.	23.2	40
		Operating Companies								
3	O	Bridgeport Hydraulic .	29	$1.60	5.5%	$1.74	20%	Dec.	16.7	92%
8	O	Calif. Water Service ..	32	2.00	6.3	2.59	46	Nov.	12.4	77
2	O	Elizabethtown Water ..	95	5.00	5.3	5.74	D18	Dec.	16.6	87
6	S	Hackensack Water	33	1.70	5.2	2.56	D6	Dec.	12.9	66
3	O	Jamaica Water Supply .	29	1.50	5.2	3.01	35	Sept.	9.6	50
3	O	New Haven Water ...	53	3.00	5.7	2.91	D10	Dec.	18.2	103
1	O	Ohio Water Service ...	23	1.50	6.5	1.76	D9	Sept.	13.1	85
5	O	Phila. & Sub. Water ..	55	1.00	1.8	4.69	61	Dec.	11.7	21
1	O	Plainfield Union Water	54	3.00	5.6	4.09	D2	Dec.	13.2	73
2	O	San Jose Water	34	2.00	5.9	2.61	12	Nov.	13.0	77
6	O	Scranton-Springbrook .	15	.90	6.0	1.22	30	Sept.	12.3	74
3	O	Southern Calif. Water .	11	.65	5.9	.65	D32	Sept.	16.9	100
3	O	West Va. Water Service	33	1.20	3.6	1.28	D2	Sept.	—	94
		Averages			5.3%				13.9	

C—American exchange. O—Over-counter or out-of-town exchange. S—New York Stock Exchange. D—Decrease. *Earnings are calculated on present number of shares outstanding, except as otherwise indicated. **On average shares outstanding. #Includes stock dividend. NC—Not comparable. x—Deficit in the nine months ended September 30th. a—President of company estimates earnings for the year ended September 30, 1953, at $1.52 a share. †*Pro forma.*

What Others Think

Gas Companies Have a "Hit Show"

EARLY last year, two Los Angeles gas companies planned a public relations movie with a new angle—to be shown as part of a discussion program, with a question-and-answer period, before various groups.

It has been successful beyond expectations, a sort of "hit show" that keeps twenty prints going, for a half-dozen showings daily, with some fifty "Mc's" who volunteer from the people of the Southern California and Southern Counties Gas companies.

These companies have used films for a number of years, starting with some engineering record footage that was pieced together to show the public the construction work on a huge underground storage reservoir. When a 1,200-mile natural gas pipeline was built from Texas, the company had Hollywood picture people make a professional film. These movies were keyed to the engineering wonders of the gas business. The public was interested in that.

But the new movie was made to show audiences some of the management features of the gas business. It is titled "The Challenge of Growth," and deals with the great additions of population and industry that have come to the Los Angeles area since the war—more than 50 per cent—and the problems of home construction and utility services that have had to be met.

Early in 1951, in connection with rate increases that had to be asked for, the companies discovered that the public, and its customers, had no conception of rate regulation, rate making, inflation costs, and utility financing. This film was therefore planned for showing to service clubs and civic organizations, in the belief that while the audiences reached would not be large, the people would be influential in molding public opinion.

THE picture is 16mm, in color, runs fifteen minutes, and gives a diversity of shots showing community growth, the building of homes, schools, highways, and gas plant. The script was written for a long run, to be kept up to date with additions as conditions change. It was made by Polaris Pictures, Inc., Hollywood. After showing, there is a 15-minute talk from a prepared program by the company representative, with opportunities for discussion and questions. Altogether, it is a half-hour feature, timed to the average service club and organization lunch or other meeting. The prepared script, too, is frequently revised to include new information.

Against the background of community growth, some striking utility figures are given. Prewar plant for a gas customer called for an investment of $127. In 1950, this had risen to $349. The companies then had 470,000 more customers than in 1940. That called for about $145,000,000 new investment. The customer gain was 64 per cent, but the investment increase was 109 per cent. Prewar gas rates were around 70 cents per thousand cubic feet, and in ten years the rates rose only about five cents. Wages rose 110 per cent, and the cost of gas 75 per cent.

This show followed the Broadway pattern in drawing audiences, gaining popularity by word-of-mouth advertising. It was at first offered to service clubs and civic organizations, but presently the American Legion, and fraternal, women's, and neighborhood groups were asking for it, and such organizations were circularized.

The large number of company people

who volunteer as speakers and forum leaders is an interesting feature of the show. The program is requested over a wide area of the companies' territory, and speakers are assigned to dates in their own neighborhoods as far as possible. They like the experience, and realize the importance of explaining the companies' management problems.

AUDIENCES have been system-wide, and it is a little surprising to executives and speakers, suspecting that the public is indifferent to such problems, to find genuine interest among these groups. A large number of questions have been asked, they invariably follow each show, and there is an aftermath of newspaper reports and correspondence.

Also surprising, the questions asked are practically all constructive, with hardly any criticism of rates or service. It was expected that there might be some feeling about rate increases, which have been opposed in the routine of utility commission hearings, and of course received publicity in press reports. But rate questions almost all relate to the amount of increases the companies think are needed to bring about a balance in financing, and what increases will mean in terms of the average household gas bill. This attitude is undoubtedly due to the fact that the film shows company activities. It creates an understanding of the gas business as a vital part of community life, and a service that has been greatly affected by the coming of new people to the Los Angeles area.

Such films are in demand as educational entertainment, by so many organizations that they constitute "show world" in themselves. "The Challenge of Growth" is offered by circulation lists of organizations, and has also been advertised in a monthly mimeographed publication, the *Program Exchange*, started several years ago by a utility public relations man, M. P. Gilliland, South Pasadena, when he discovered how large an entertainment world this was.

THE periodical lists all sorts of films and entertainers for service club and like programs. Some of this entertainment is free, some of it professional and paid. Among business films offered in a current issue are this gas company movie, and others dealing with investments, air freight, synthetic fabrics, chemical manufacture, etc. At first this periodical served a handful of close-in service clubs. It now has several hundred subscribers in the whole southern California area who pay a couple of dollars for each issue, for the information that helps in making up their programs. Business concerns are allowed to advertise their films.

It is also a rating agency, because when a feature like the gas companies' movie is listed and described, and organizations ask for it, they report back to the *Program Exchange* as to the audience reaction, whether excellent, good, or fair. According to these reports, the entertainment continues to be listed, or is dropped. The reports are available confidentially to program committees.

Thus, if a utility company got out a public relations movie that was dull propaganda, a few showings would reveal its character, and it would be dropped by audience ratings. If it was intelligently scripted and shot, and presented a theme of public interest, it would be well rated, and find increasing audiences.

"The Challenge of Growth" is, from this angle, definitely a Broadway success, facing a long run.

—JAMES H. COLLINS

TVA's Report and a Criticism

THE latest Tennessee Valley Authority annual report stresses industrialization of the valley area. The report states that during 1952 the 146 municipal and co-op systems distributing TVA power sold a record amount of electricity

to residential customers, almost 9 billion kilowatt hours. This was three times the residential sales during the peak years of World War II, the report declares. Total revenue was $103,000,000. The distributors sold 48 billion kilowatt hours to commercial and industrial customers, as compared with 22 billion kilowatt hours in 1945. The 146 systems paid $4,672,000 in state and local taxes or tax equivalents.

The report made tax-paying comparisons with neighboring power companies abutting the TVA domain. In addition to the taxes paid states and localities by the distributors, TVA itself paid taxes or tax equivalents to states and localities, the report said. In total, about 6¼ cents out of each dollar in the electric bill paid by the consumers on these 146 systems was paid to state and local governments. The report said that among the 13 privately owned utilities in neighboring states the range of state and local taxes (in 1950) was from 5¼ cents to 11 cents; the average was 8 cents. TVA hopefully looks to the future. In the next four years the agency expects to add one, and possibly two, big steam turbogenerators to its system every three months. Future foreseeable coal consumption when the present steam plant expansion program is completed is placed at 18,000,000 tons per year.

REACTION to the TVA was cynical in those quarters which have become unenthusiastic about the authority's promises and performance. Said the Washington, D. C., *Times-Herald*, editorially:

> The nineteenth annual report of the Tennessee Valley Authority opens with eight pages of pictures showing industrial and farming scenes. The report closes with a homily on what is called "the world significance of TVA." In between are accounts of the authority's activities and statistics purporting to show that TVA is doing fine.
>
> It will be recalled that the authority was established in the early years of the New Deal with the professed aim of controlling floods on the Tennessee river. Power produced incidentally from the flood-control dams was to be used as a yardstick to determine whether rates charged by privately owned power companies were reasonable.
>
> The flood control is now incidental to the TVA's gigantic power-producing operations. Its dams have drowned out more good acres than the river ever flooded. Instead of having a surplus of water to dispose of, the TVA is short of water; hence it plans to install a machine that can be used either to generate electricity or to pump water back over a dam to be used again. By this means the authority expects to produce more power to meet the peak demands of the winter months.

One of the reasons for the heavy consumption in the winter is that many fortunate residents of the valley heat their homes with electricity, a convenience made possible by low TVA rates. Average residential use of electricity in TVA land is almost double the national average and the average cost is less than half of that paid by the average consumer in the nation.

IN spite of these low rates, the annual report states, the TVA power system earned 4.7 per cent on the government's investment. Last year's report claimed that earnings were 5.4 per cent. The difference may be accounted for by the fact that TVA is shifting rapidly into a steam power-producing enterprise. Within a year or two, the report says, more than half of the electricity produced will come from steam plants, and the authority has let contracts to purchase about 40,000,000 tons of coal. The *Times-Herald* editorial continues:

> When the TVA figures its earnings from hydroelectric plants it is easy to show a profit, for a large part of the costs can be charged off to flood control and navigation. The same dodge

cannot be worked with the steam plants. During the last year the TVA notified its large customers that rates would have to be advanced to compensate for higher generating costs at steam plants.

The claimed earning rate of 4.7 per cent of course is wholly fictitious when the TVA is compared with privately owned utilities. Aside from the phony bookkeeping of charging power costs to flood control and navigation, the TVA is not much troubled by taxes. Private electric utilities give up about 22 per cent of their operating revenues to the tax collectors. The TVA allots about 9 per cent of its income to make voluntary contributions to states and counties in lieu of taxes. Almost any business could show a nice profit if its taxes were limited to 9 per cent of its revenue.

The TVA now operates under a law that requires it to repay the United States Treasury $87,000,000 in every 10-year period until $348,000,000 has been paid. Appropriations for power facilities made since this law was enacted in 1948 must be repaid within forty years. In recent years the Treasury has been going into the hole faster than the TVA has been paying off its debt, and the end is not in sight.

The *Times-Herald* thinks that the new Republican Congress should not be committed to Socialism and therefore should be looking for ways to reduce taxes. It thinks that one of the first places to look is the TVA. All of its power plants should be sold as soon as possible to private industry, a step that would reduce the national debt by about a billion dollars. Pending completion of the sale, TVA power rates should be fixed according to realistic accounting methods and all revenue from the enterprises should be turned over to the Treasury.

THE *Times-Herald's* comments on TVA's annual report were in sharp contrast to those appearing in the *Birmingham Post-Herald*. The *Post-Herald* also noted that TVA is now building steam plants for power production and as a result has become one of the nation's largest coal users, "a far cry this from the early days when it was feared that TVA dams would put many coal companies out of business." The annual report pointed out that where farming, back in 1929, furnished about 8 per cent more of the valley's income than did industry, now the ratio has been reversed, with industry providing most of the income. The *Post-Herald* commented:

> From both sources the Tennessee valley is receiving more income and its position is vastly sounder than it was when the TVA came into being. Some of this increase it has shared with the rest of the nation, some has been brought about by the TVA and its abundant electric power.
>
> During World War II the TVA provided power for aluminum plants which produced the materials for our tremendous fleet of airplanes. It also furnished power for the beginnings of the atomic energy program at Oak Ridge. This program has been greatly expanded since the war, while another AEC plant is being constructed in western Kentucky, also in the TVA area.

The *Post-Herald* concluded with the hope that the new Eisenhower administration "will carry on in efficient manner the TVA structure which has been built up through the years into one of the South's greatest assets."

Secretary McKay's Heritage

INTERIOR Secretary McKay is inheriting one of the biggest businesses in the world, if not the biggest, when he takes over control of the Interior Department under the Eisenhower administration. It is the biggest real estate busi-

ness in the United States. The biggest and fanciest collection of patronage in the whole hierarchy of government. He has the executive directorship of far-flung and colossal engineering projects, plus operation of irrigation ditches and power dams. He becomes the Great White Father of the American Indians. He becomes the patron and protector of the birds, fishes, and wild life. He becomes the trustee of the nation's land-holdings and natural resource deposits. He becomes the licensee for gold, oil, mineral, and other exploitations. He takes charge of emergency controls for supplying materials to all of the nation's gas and electric utilities. He even acquires an interest in a liquor distillery and a thriving tourist business in the Virgin Islands.

Yes, Interior Department is big business today. And Interior's electric power empire, which has been growing steadily during the Roosevelt-Truman régimes, is probably the biggest single dollar value going concern of Interior's multitudinous operations. As the producer of approximately one-fifth of all the electric power sold the American public, the Interior Department is a bigger operator than any other electric utility company or corporately affiliated group of companies.

W. C. Bryant, a staff reporter for *The Wall Street Journal,* has written an interesting review in a recent issue of that publication of the task ahead of Secretary McKay. Four years as governor of Oregon has brought McKay in contact with some of Interior Department's bureaus. He is certainly familiar with the Bureau of Reclamation, Bonneville Power Administration, and the Wildlife Service. As a westerner, McKay has a neighborly interest in Hawaii and Alaska.

Commenting on McKay's background, Bryant states:

> Anything in McKay's political or business (auto dealer) background will seem small compared with this far-flung Interior Department empire that employs around 60,000 people, spends upwards of $650,000,000 a year and supervises some 255,000,000 federally owned acres of woods, deserts, parks, and grazing lands, about 16 per cent of all the land in the U. S.
>
> To make matters more complicated for Mr. McKay at the start, the Democrats plan to toss at Congress a fat bill, over 100 pages long, proposing vast changes in the whole Federal water development program, including irrigation and public power, the Interior Department's major concerns in terms of man power and expenditures. President Truman himself is expected to send the lawmakers a special report plugging mostly new Missouri basin projects. All these last-minute suggestions are sure to agitate the department's friends and foes, thus adding to McKay's list of problems.
>
> In one instance after another, he'll find that the vested interests of the department—and the wishes of countless people who've been served by it over the years—run counter to some of the fondest notions of the Eisenhower team he's going to help quarterback.

The Eisenhower administration is pledged to cut government spending and eventually reduce it about a fourth, or some $20 billion, a year. How can Secretary McKay operate within this administrative framework and still please folks out West who look to the Interior Department for cheap water and electricity and the continuous expansion of project building? For that too, in a way, was what President Eisenhower pledged during some of his western speeches in the recent campaign.

Of course Interior Department is essentially a Republican creation. Irrigation and conservation under Federal auspices really got started in the Teddy Roosevelt administration. But it was the Democrats who made Interior Department pay—politically that is. Of course there have been tremendous benefits in western areas and tremendous spending

to produce such benefits, causing eastern eyebrows to raise.

Speaking of the Democratic period of Interior Department control, Mr. Bryant says:

> Under their free-spending régime, government spending on reclamation projects, mostly for irrigation and power, has reached the enormous total of $2.2 billion. Another $2.8 billion has already been proposed and thoroughly publicized.
>
> In those prospective outlays is the implied promise of $3,000,000 worth of irrigation for Vermejo, New Mexico, $123,000,000 more for Gravity Valley, Texas, a $76,000,000 irrigation-power development for eastern Idaho. Voters thereabouts have already been waiting several years for these "authorized" projects to come to fruition; they'd not take kindly to losing them now.
>
> Not included in the projected $2.8 billion are 269 projects "under investigation"—just a glimmer in the eyes of folks in Bitterroot Valley, Montana, Broken Bow, Oklahoma, Dinkey Creek, California, and Lower Horse Heaven, Washington.
>
> To complicate any McKay-inspired economy moves still further, the Reclamation Bureau, which plans and builds these waterworks, has a rather independent attitude. The 80th Congress once cut off two-thirds of the money for its public relations staff, and the bureau merely gave the publicists new titles. They went right on grinding out speeches, preparing attractive pamphlets and other material explaining and lauding their own program.
>
> When the same Congress cut out the appropriation for the salary of Reclamation Commissioner Michael Straus, he went right on running this bureau anyhow. When the Democrats in 1949 whacked off $300,000 for payrolls, the bureau got the state of California to hire the discharged Federal workers and paid the state $300,000 out of other government funds.

And it is precisely this spirit of bureaucratic independence which may give McKay his biggest headache if he tries any reforms. Ickes and Chapman never tried any reforms in the direction of letting go of any powers or responsibilities. Indeed, the late "curmudgeon" distinguished himself for holding on to every job he could get with a one-hand clutch resembling *rigor mortis*, while constantly grasping for more with the other hand. During World War II, Secretary Ickes once held 21 top jobs, each economically important and politically more powerful than the presidencies of many Latin American republics.

An agency that has grown up in that tradition does not give up easily. Bryant suggests that McKay's best approach might be to start making the department more "businesslike"—as a prelude to lopping off those branches of the business which do not support themselves or demonstrate their productivity. But here again he will run into trouble because the Interior Department is run as no business was ever run or could be run. Interior Department's style of bookkeeping might easily lose a private company executive's business, if not actually land him in jail.

Congressional committeemen have been trying for years to get fiscal information which is accurate and understanding from Interior. But Interior has been equally successful with fast footwork and double talk and confusing Congress with so many different sets of figures that it has often given up trying to understand at all. One year Reclamation Bureau closed down four construction projects because it was claimed they had run out of money while a recheck showed $7,000,000 on hand. On other occasions the Senate Appropriations Committee showed $21,000,000 in unused appropriations for which the department had only estimated $10,000,000. Mr. Bryant frankly suggests that there was a method in their madness which often appeared in the department's figures.

This is especially true in justifying low public power rates. Bryant says on this:

A House Public Works subcommittee spotlighted this latter motive in a recent report. It asked the Army Engineers and Interior Department to come up with power cost figures on a number of projects already in operation. The department's figures were lower in every case, in one major instance by 50 per cent. The difference was solely a matter of accounting methods, not an indication that the Interior people were being more economical.

Low power cost estimates mean low power rates, a boon to the power users. But they also mean that the government projects are repaying less to the Federal Treasury. By law, they're supposed to repay construction and operation costs, plus 3 per cent interest, after certain deductions for flood control, navigation, and wild life preservation features.

In offering cheap power — and stretching the law to do it, in the view of many critics—the department has posed as a champion of the West and a guardian against the "greedy" private utilities.

McKay may find it hard to reform the department's accounting methods without having to hike the power rates and thus displease consumers. On the other hand, if he favors low rates, he'll be encouraging competition with the electric companies, and thus be in conflict with the GOP notion that private enterprise should be encouraged, not combated.

THE Bureau of Reclamation claims to be "the world's largest single producer, public or private, of electric power." It supplies about 27 billion kilowatt hours a year, or 8 per cent, of the nation's total. Other Interior Department agencies—Bonneville, Southwestern and Southeastern Power administrations—market another 16.5 billion kilowatt hours.

In recent years, these agencies have been battling in Congress for transmission lines so they can handle more of the actual power distribution. At present, a large part of the distribution of government-produced power is left to private electric companies, which buy from the public power plants.

FINALLY, Bryant touches on the sensitive matter of pork barrel as a roadblock in any effort to make the department reform or economize. Reclamation Bureau people have long capitalized on local pride and local projects in keeping their appropriations and activities in favor with Congress.

Congressmen from the West, along with their southern and eastern brethren, who get somewhat similar results from flood-control jobs of the Army Engineers, are undeterred by financial problems. They love to point to some area that would be "only sagebrush" except for the bit of "pork" they brought home from Congress.

Mr. Bryant concludes that one by-product of the political change-over is likely to be the unusual spectacle of Democrats preaching accounting methods and stricter regard for repayment obligations. It is easier to engage in that sort of lecturing when one is on the outside looking in, as the Republicans will soon find out in reverse. In short, Interior Department is here to stay. As the cynical old Washington saying goes about bureaucrats, "None die and few resign."

¶ "THE *philosophy that the citizen can get something for nothing by getting it from the central government aids and abets inflation.*"

—ALLAN B. KLINE,
President, American Farm Bureau Federation.

The March of Events

In General

Truman's Interior Budget

PRESIDENT Truman's budget carried increases all along the line for Interior Department power activities. The Bonneville Power Administration is scheduled to spend $63,400,000, compared with $60,700,000 in the current year. The Bureau of Reclamation would get in new funds $231,188,000, compared with appropriations during present fiscal year of $206,747,991. In the office of the Secretary, the Southwestern Power Administration will get for construction $1,500,000 (compared with $3,020,000 this year); for operation $1,900,000 (compared with $1,450,000); and for a continuing fund $5,650,000 (compared with $1,017,468). The Southeastern Power Administration would get for construction $6,700,000 (compared with $959,500); for operation $1,740,000 (compared with $760,000). SEPA will not receive a continuing fund and did not have one last year.

All of these Interior appropriations are expected to be cut.

California

Utility Wins Court Ruling

A DISPUTE between the Southern California Edison Company and the International Brotherhood of Electrical Workers, Local 47, an AFL affiliate, covering 3,900 company employees, recently was decided in favor of the company by Superior Judge Roy L. Herndon.

The court made the decision after a one-day hearing, during which the company's attorney argued that the union had not given the company proper notice concerning moves to terminate or amend their existing collective bargaining contract.

Under the agreement, the company contended, the union was compelled to give the company a 60-day notice that it would not renew for another year its contract expiring last December 31st. In the alternative, the company maintained, the union could serve notice that it desired to negotiate amendments or changes in the contract.

But the company declared that the union instead elected to do both, serving notice of termination of the contract and the desire to amend it by 12 provisions, including compulsory unionization, company collection of dues for the union, general wage increases, and permission for union agents to call at the company property.

Kentucky

Asks Special Gas Rate

THE Newport Steel Corporation filed suit in Franklin Circuit Court on January 7th to force the state public service commission to order the Union Light, Heat & Power Company to set up a special, low rate for the firm. The

Newport firm claimed the commission ruling announced on January 5th, which refused Union a $935,000 rate increase, is "unreasonable, unlawful, arbitrary, capricious, discriminatory, and not in conformity with either the law or the facts and without basis."

Newport Steel said it is the largest single user of gas in the northern Kentucky area, and consumes one-fifth of all gas sold by Union. Yet, the petition stated, "Newport Steel is billed under the same commercial and industrial rate schedule that applies to all other businesses in northern Kentucky."

The petition asked Circuit Judge Ardery to set aside the commission ruling, which denied the increase, and instruct the commission to give Newport Steel lower rates.

Missouri

Utility Not Required to Pay Gross Receipts Tax

THE Laclede Gas Light Company of St. Louis was not required to pay a 5 per cent gross receipts tax to the city on the $1,930,623 set aside by the utility for refund to its customers under a 1948 rate reduction order, the state supreme court en banc ruled recently.

However, the court set aside an order by Circuit Judge Eugene J. Sartorious holding that Laclede could recoup the $96,531 in taxes paid on the refund moneys by taking credit on the taxes subsequently owed on gross receipts.

The question of how Laclede could recover the $96,531 was not before the court, the opinion handed down by Judge Roscoe P. Conkling stated.

Apparent effect of the supreme court's ruling is to let Laclede decide its legal recourse to recover the taxes which the court held it did not have to pay.

The decision was based on an interpretation of the term "gross receipts" as set out in the St. Louis tax ordinance. The supreme court held that receipts meant only money from sale of gas that Laclede could use in the operation of its business.

Nebraska

Legislative Items Considered

THE battle over power rates to Lincoln and several other Nebraska communities may come before the state legislature. Senator Duis of Gothenburg said recently he was considering a bill which would put public power district rates under supervision of the state railway commission.

He also stated that he was thinking about a bill to abolish all public power districts and put public power under a statewide board of directors.

Either approach, Mr. Duis indicated, would give the League of Nebraska Municipalities a chance for a fair hearing of its controversy with the Nebraska Public Power System. The league wants to buy power from NPPS for eight of its cities and get a reduced rate as a quantity purchaser.

"The cities can't get a hearing," Senator Duis said.

Several of the affected communities are in his district.

The 1953 legislature is to be asked to provide for nonpartisan election of directors of Omaha's Metropolitan Utilities District. The six directors now must, by law, be three Republicans and three Democrats.

Senator Tvrdik of Omaha said he would introduce a bill to put the MUD directorships on a nonparty basis.

The present Republican-Democrat split on the MUD board was authorized years ago before the nonpartisan principle had been so widely accepted, Mr. Tvrdik said. He noted that Omaha's other big publicly owned utility, the Omaha Public Power District, was created a few years ago with nonpartisan directorships.

New Hampshire

Increase Incorrectly Determined

THE $1,344,750 increase in electric rates granted the Public Service Company of New Hampshire last June was incorrectly determined, the state supreme court ruled early this month, and opened the door to further discussion of the case.

There was an error in determining the rate base, the court said, and returned the case to the state public utilities commission for further action.

Pennsylvania

Proposed Increase Postponed

A PROPOSED $1,169,000 annual rate increase sought by the Scranton Electric Company early this month was postponed six months until July 7th.

The state public utility commission, in making the postponement, ordered an investigation into the reasonableness of the proposed boost.

On the other hand, the commission found that a proposed $86,700-a-year increase in steam rates by the same company to 1,058 customers in the Scranton area would not yield an excessive return. The commission authorized this increase, effective immediately.

The new electric rates, if authorized, would have gone into effect on January 6th, also, for 88,000 customers in Lackawanna, Luzerne, Wayne, and Susquehanna counties. A date for a hearing in the electric rate case would be fixed later, the commission said.

Rhode Island

Would Protect Public Interest

IN his inaugural address to the state legislature early this month, Governor Roberts revealed that he plans to seek the enactment of legislation to further protect the public interest in public utility rate regulation. He told the lawmakers:

> I repeat my concern at the increasing number of applications by public utilities for rate increases. All of us recognize that public utilities, like private business, are faced with increased operating costs. But as public officials our duty is to protect the public interest and to fight vigorously unjustified increases in rates.
>
> Public utility hearings are often detailed, complex, and prolonged. We cannot permit the rights of consumers to be obscured by the sheer bulk of the evidence presented to support rate increases. The consumer's case must be expertly and adequately presented and the facts, favorable and unfavorable to the utility, must be carefully examined. With this in mind we are adding to the technical staff of the public utility administration so that we may properly scrutinize each request for a rate increase presented by a utility company.

The governor said he would submit legislation designed to safeguard the public interest "in this important matter."

Rate Petition Ordered to Be Reconsidered

THE state supreme court recently ordered that the Providence Gas Company's petition for higher gas rates be reconsidered by Thomas A. Kennelly, state public utility administrator.

Because the state is still awaiting receipt of natural gas, Kennelly held last July that the establishment of new rates should be delayed until its arrival, and rejected a company petition for a temporary 9 per cent and a permanent 18 per cent increase.

Progress of Regulation

State Contract Carrier Permit Requirements Not a Burden on Interstate Commerce

A STATE is not powerless to require interstate motor carriers to identify themselves as users of the state highway, and the requirement that such carriers obtain a state permit does not unduly burden interstate commerce, held the United States Supreme Court.

The question arose over a state court's decision that a leasing arrangement between a manufacturer and certain interstate motor carriers was a sham and constituted contract carriage for which a state permit was necessary. Since there were no exceptional circumstances and the state court's findings were not without factual foundation, the Supreme Court accepted the decision that the leasing arrangements constituted contract carriage.

In determining that such a permit requirement did not unduly burden interstate commerce, the court pointed out that the state asked nothing more than that the motor carrier apply for a permit. There was nothing to indicate that the application would be denied or that burdensome conditions would be attached thereto.

In a dissenting opinion it was said that, in this instance, to require an interstate contract carrier to obtain a state permit would not merely burden, but would obstruct, interstate commerce. It was said that such a permit requirement was not a valid state regulation, such as a rule to promote safety or a law requiring a fee for highway maintenance, because the requirements and intent of such a permit were as stringent and as exact as for a certificate of convenience and necessity. *Fry (Lloyd A.) Roofing Co. v. Wood et al. December 8, 1952.*

Financing Approved for Electric Companies Serving Atomic Energy Project

THE Securities and Exchange Commission authorized certain holding and operating companies to acquire stock of two new operating utilities to finance electric generating stations which would supply the power requirements of a gaseous diffusion plant of the Atomic Energy Commission in the Ohio river valley. Approximately 95 per cent of the funds required to finance the construction will be secured by the sale of debt securities. The remaining 5 per cent will be secured by the sale of common stock to the sponsoring holding and operating companies.

The commission considered the public interest and in doing so gave paramount weight to the needs of national defense. In approving the transaction, however, the commission retained jurisdiction over the question whether the retention of the stock might be allowed after the conclusion of the present national emergency. It concluded that construction of the facilities was highly desirable from the standpoint of national interest.

Although the commission could not normally approve a capital structure involving such a high proportion of debt, it concluded that the national interest, plus the provisions of the contract between the companies and the Atomic Energy Commission, rendered the capital structure permissible and consistent with the public interest and the interests of investors and consumers.

The commission said that the proceeding presented for its consideration one of the largest and most significant developments in the public utility industry. The atomic energy plant will operate continuously and will require approximately 1,800,000 kilowatts of firm power at a load factor of approximately 95 per cent. The electric energy requirements will exceed by 25 per cent the total amount of energy used by the city of greater New York, with a population of approximately 8,000,000 people.

The principal corporate instrument for supplying energy requirements for the new project is a new public utility company organized under the laws of Ohio.

This company will own a generating station in southeastern Ohio, the bulk of the transmission lines, and all of the capital stock of another new company, which will in turn own a generating station and other facilities within the state of Indiana. The common stock of the new company will be owned by the operating companies and holding companies comprising the sponsoring group of companies.

The sponsoring companies, under the power contract, will undertake to supply interim power to the atomic energy project pending construction and completion of the new generating facilities. They will also supply supplemental power required by the project after completion of the new facilities and would use any surplus power available from the new facilities and not required by the project. *Re Ohio Valley Electric Corp. et al. File No. 70-2945, Release No. 11578, November 7, 1952.*

Double Squeeze on Transit Income Considered in Rate Proceeding

THE New York commission denied the petition of several municipalities for a rehearing on new rates which had been approved for a transit company. The commission pointed out that whether the rates were tested in the light of estimates of future revenues and expenses or by the company's previous year's experience, the new schedule appeared reasonable.

Possible errors which the company made in its future estimates were not examined by the commission in great detail because of the fact that the rates had been predicated on the company's past experience as well as its future estimates of operations.

Traffic congestion which might result from a higher transit rate was not considered a factor, since it is not within the control of either the company or the commission.

One of the main points of contention was the fact that the company had not taken into consideration the Federal income taxes which it would not have to pay by reason of carry-over losses from prior years. The commission described this argument as a "shallow one" and said:

> Whether or not the future year should be based upon income taxes with or without a loss carry-over to which the company is presently entitled is a matter within the discretion of the commission to be exercised in accordance with the facts of each particular case.

Finally, the commission discussed the reasons why the company had not earned a fair return in recent years. The impact of the combination of increased expenses and reduced riding, the commission said,

has resulted in a double squeeze on the operating income of urban bus companies. *Re United Traction Co. Case 15736, December 9, 1952.*

Losses of City Transit System No Basis for Reduced Electric Rates for Transit Purposes

THE New York commission ordered a hearing to determine the reasonableness of increased electric rates for service to the New York city transit system. A contract under which electricity was supplied to the city for transportation purposes had expired. This contract was never subject to the commission's jurisdiction. When efforts to negotiate a new contract failed, the company filed the increased rates.

The hearing was ordered in view of the fact that the commission had never passed upon the form or reasonableness of electric rates to the city transit system, having been excluded from that field by the special contract between the city and the electric company.

The city requested a hearing on the grounds that the filed rates should not be permitted to continue because (1) the city was already sustaining a large deficit in the operations of the subway and (2) the city was entitled to lower rates on the theory that it allows the company to use its streets for distribution purposes without so-called proper compensation. The commission held that neither of these contentions supplied any basis for the relief requested and that they were not germane to a determination of the issues involved, which were the form and reasonableness of the recently filed tariff. *Re Consolidated Edison Co. of New York, Inc. Case 16054, December 30, 1952.*

Components of Gas Rate Base Applicable to Industrial Customers

THE Arkansas commission refused to allow a gas company the full increase in its industrial rate which was provided for in schedules filed by the company in 1950 and made effective under bond in that year and later revised upward in the same manner. Items of the company's rate base which were contested by protestants to the rate increase were considered at some length.

The commission agreed with protestants on the exclusion of customer contributions in aid of construction but considered the question academic because the contributions were almost 100 per cent applicable to distribution facilities and, therefore, would have a negligible effect on the industrial rate base. The commission also agreed with the protestants' claim that year-end figures, instead of average plant investment during the year, should be used.

The proper treatment of the difference between acquisition cost of plant and original cost of plant to the party first devoting it to public use was described carefully by the commission. The total in this account, which is classified as 100.5 in the Uniform System of Accounts, may properly be amortized over a 15-year period. The commission made the following determination on the effect of such amortization on the rate base:

> Since the amounts in 100.5 represent arm's-length cost, this commission has followed the policy of allowing utility companies to earn a return on that portion of such investment which has not been recouped through expenses. *Re* Arkansas Power & Light Co. (1944) 55 PUR NS 129. We adhere to that ruling in this case. However, as protestants suggest, the amount remaining in the account for each year should be reduced by the cumulative deduction which has been charged to expenses through the preceding years.

Protestants argued that amounts in the rate base representing construction work in progress should be excluded because the company capitalizes interest during construction. In rejecting this argument, the commission said:

> However, the record also discloses that the applicant does not capitalize such interest after the property goes into service and the interest so comprised is credited in the income account.
>
> It is our view that where physical properties are actually placed in service prior to the end of the year, the amounts in Account 100.3 representing such properties should be included in the rate base at the end of such year.

The company's inclusion of plant held for future use was allowed where the record indicated that to assure an adequate gas supply the company was required to acquire additional reserves and to explore and develop new leases. No working capital allowance was made because the company failed to show that income taxes collected from customers in advance of their due date were insufficient to provide necessary working cash.

Three profitable fields operated as separate units were classified by the company as nonutility property on the theory that the leases, wells, and other production and gathering facilities had no connection with its utility business. The commission disagreed with this classification on the ground that the gas from these fields was the same kind used in the company's utility operation and that the fields were purchased and developed as a reserve for its future utility business.

However, since the sales from these fields were "sales for resales" and not sales to ultimate consumers, the commission ruled:

> . . . that they should be excluded from the determination of the rate base, and similarly from revenues and expenses applicable to the 3-B customers.

The commission allowed a 6 per cent rate of return instead of the 6½ per cent return which the company requested on its industrial operation. Because of the reduction in return and revision of rate base ordered by the commission, the company's rates were reduced retroactively to 1950 and reparations ordered. *Re Arkansas Louisiana Gas Co. Docket No. U-443, November 17, 1952.*

Customer Preference for Co-operative's Service Results in Dismissal of Complaint

THE Kentucky commission dismissed an electric company's complaint against a proposal by South Kentucky Rural Electric Co-operative Corporation to serve an industrial customer. Both the company and the co-operative claimed the territory in which the industrial plant was situated. Both stated that they were ready, willing, and able to provide the desired service from substations of equal size in the immediate vicinity of the plant.

The customer expressed a strong preference for the service of the co-operative, and filed an intervening petition. All but one of its directors appeared at the hearing and testified "that the availability of South Kentucky power was one of the prime considerations in the location of the plant . . . that had they known that South Kentucky power would be unavailable to them that a different plant site would be chosen where there would be no controversy."

The commission first pointed out that the location of the plant was such that it could not definitely be said to be within the territory of either party. The territories of the parties overlapped to such an extent that no definite dividing line delineating the co-operative on one hand and the company on the other could be drawn with any degree of accuracy.

In ruling that the preference of the

customer would be respected, the commission made the following comment:

> This is not to say that in every case where the customer expresses a preference substantial weight would be given to that expression. In this case, however, where both companies have approximately equivalent facilities, where both companies have the ability to serve and are ready, and willing to serve, and where the location is such that it cannot be definitely fixed as belonging to either one or the other then customer preference is certainly to be given some consideration. This is in line with decisions elsewhere on similar questions.

Monticello Electric Light Co. v. South Kentucky Rural Electric Co-op. Corp. Case No. 2432, December 9, 1952.

Property Investment from Earned Surplus or by Raising New Capital Is a Management Problem

INCREASED water rates that would yield a return of 5.6 per cent and a future return of 5.75 per cent were considered fair and reasonable by the California commission.

The protestants asked the commission, in considering rate of return to reconsider the treatment of the use of surplus in place of raising new capital. They contended that, from the ratepayers' standpoint, it is cheaper to raise new money than to use surplus funds. The commission declared that its main concern was to determine that over-all earnings were not excessive and that the problem of whether to pay out all earnings as dividends or retain part for reinvestment in property was a management problem.

The company's working cash figure computed on the basis of one month's purchased power and two months' other operating expenses, excluding uncollectibles, taxes, and depreciation with some reductions to give some recognition to the availability and use of Federal taxes accrued ahead of payment, was considered reasonable. *Re California Water & Teleph. Co. Decision No. 47906, Application No. 33106, November 3, 1952.*

Realty Company Furnishing Water Service to Real Estate Subdivision Considered a Utility

THE Wisconsin commission held that a water system owned and operated by the subdivider of a real estate development is a public utility notwithstanding the subdivider's efforts to have consumers join a mutual association to operate the system. It also prescribed rates to be charged.

The system was installed and operated by the real estate company to supply water to the purchasers of lots. The subdivider originally intended to form a "water co-operative" of lot owners and to donate the plant and equipment to the so-called co-operative. At the time of the hearing there were eight houses completed and one partially completed. No co-operative had been formed and the subdivider operated the system and billed the lot owners for expenses of operation.

The commission pointed out that there is much authority in support of the principle that if a real estate developer holds itself out to furnish water to all in the plat, it holds itself out to serve the "public" and is a "public utility," as defined in the germane statutes.

The real estate company has been in control of the water system, has operated it, and has made all decisions regarding its purchase, installation, and operation. Meters which were installed by the builder became the property of

the house owners, but they were read by an employee of the real estate company on three occasions. One bill was submitted.

The company claimed this was not a bill for water service but merely to reimburse part of the expense of that service.

It was admitted that the company sells houses directly and its signs on lots mention that sewer and water are available. If it had not been for that advertising, the commission said, it would have been inclined to say the original intention was to form a co-operative and to offer water on that basis. This would take it out of the class of a public utility. But the fact that the company now sells lots directly and advertises that water is available was held to be a departure from the original plan and an unequivocal holding out to serve the public. *Lorch et al. v. Read Investment Co. 2-U-3316, November 21, 1952.*

Interest during Construction Added to Telephone Revenues to Prevent Duplicate Return

A TELEPHONE company's application for a rate increase was approved by the Kentucky commission. Average net investment was used as a rate base.

Interest during construction was added to the company's operating revenues for the preceding twelve months. The commission said that this was necessary to prevent the company from earning a duplicate return because of the fact that construction work in progress had been included in the rate base.

The commission's conclusions as to the amount of additional revenues which it would allow the company are set forth in the last sentence of the opinion:

> Having considered the original cost, the net investment, the capital structure, and other elements of value recognized by the law of the land for rate-making purposes and having also considered the adjustments to operating revenues and expenses heretofore mentioned, the commission is of the opinion that additional gross revenues in the amount of $233,562 will enable the company to pay its operating expenses, interest on borrowed money, its obligations to its stockholders, and attract the capital necessary to provide adequate telephone service to all of its subscribers and to extend much needed service to additional applicants in the area which it serves.

Re Kentucky Teleph. Corp. Case No. 2435, December 11, 1952.

Statutory Restriction of Suburban Motor Carrier Certificate Clarified

THE Kentucky Court of Appeals disagreed with the Department of Motor Transportation's interpretation of the motor carrier statute providing that a suburban area means territory extending not more than 2 air miles beyond corporate limits, but providing that authority to extend motorbus operations 10 miles beyond corporate limits should be granted if certain conditions are met. The department, in this case, refused to grant a suburban certificate because the proposed route extended 11.2 road miles, but only 7½ air miles, from corporate limits.

This statute, held the court, should be considered as a whole because all portions of the statute are related when its purpose and object are considered. A reasonable interpretation requires the word "air" to be carried through to modify the expression "ten miles" to "ten air miles." The court said:

> . . . [if] a writer had plainly designated in the first part of his sentence

that a measurement of temperature would be according to the Fahrenheit table and later made reference to degrees of temperature without designating the table to be used, it would be strained indeed for anyone to give a construction to the sentence on the basis that he had suddenly, in mid sentence, shifted to the Centigrade table of measurement without warning to the reader.

Department of Motor Transp. v. City Bus Co., Inc. 252 SW2d 46.

Other Important Rulings

THE California commission adopted the remaining life straight-line method in determining a water company's depreciation expense because such method tended to adjust for over-accruals and underaccruals to the depreciation reserve, spreading such corrective factor over the remaining life of existing company plant. *Re California Water & Teleph. Co. Decision No. 47857, Application No. 29523, October 28, 1952.*

The Indiana commission held that an annual allowance for depreciation of 2 per cent, rather than 1½ per cent, was fair and reasonable for a water company. *Re Indiana Gas & Water Co. No. 23603, October 2, 1952.*

The California commission authorized a telphone company to amortize the cost of regulatory expenses over a 5-year period at $6,000 per year, rather than $5,000 per year as estimated by the commission's staff, where it appeared that such expense for the past five years had been about $28,000 and, because of recent trends, it would be more realistic if such an amount was rounded out to $30,000. *Re California Water & Teleph. Co. Decision No. 47831, Application No. 33010, October 14, 1952.*

A Federal district court held that an interstate motorbus carrier, qualified as a self-insurer under Federal laws and rules, may not be required by a state commission to comply with state statutes requiring liability insurance, because Federal regulation in this field has preempted state regulation. *Pennsylvania Greyhound Lines, Inc. v. Board of Public Utility Commrs. et al. 107 F Supp 521.*

A New York court held that once an owner or consignee of goods accepts an interstate rail shipment, he is liable, as a matter of law, for the full amount of freight charges legally computed under the Interstate Commerce Act when then due, regardless of whether or not the carrier may proceed against the shipper. *Pennsylvania R. Co. v. White (L. N.) & Co. 116 NYS2d 361.*

The North Carolina Supreme Court remanded a commission order denying a railroad authority to substitute a prepaid for an agency station, because the agency's financial status during the three months immediately preceding the final hearing indicated a vast improvement and because it appeared that the loss during the entire year would be much less than for the preceding years, in order to give the railroad an opportunity to prove its contention that earnings during the 3-month period were the result of a seasonal rise of revenue and were misleading as a basis for estimating the loss during the entire year. *State ex. rel. Utilities Commission v. Atlantic Coast Line R. Co. 72 SE2d 739.*

The Colorado commission denied two motor carriers, transporting cream and milk, authority to extend service where all of the allegations and proof were directed not at showing that public convenience and necessity required the additional authority but only violations of health ordinances which are matters for consideration of the health department and the enforcement division of the com-

mission. *Re Martin (Martin Truck Lines) Application Nos. 11880-Extension, 11881-Extension, Decision No. 39637, November 5, 1952.*

The Colorado commission held that common carriers, protesting an application by a private carrier for authority to serve or extend operations, must show more than that they are equipped to handle all the business in the territory and that the possibility of increasing income might be diminished; the question being, will existing carrier operations be so affected by the proposed new operations that they will not be able to continue efficient service to the public. *Re Zemp, Application No. 12063-PP-Extension, Decision No. 39649, November 10, 1952.*

The Colorado commission authorized a package delivery service to extend operations to an area within a 30-mile radius of a municipality, subject to conditions barring scheduled service, limiting the capacity of vehicles and size of packages, and requiring the filing of rates and the rendering of adequate service, in order to protect the interest and rights of common carrier line haul service. *Re Package Delivery Service Co. Application No. 11440-Extension, Decision No. 39651, November 10, 1952.*

A Federal district court held that a motor carrier, operating under regular and irregular route certificates, was not authorized to tack, unify, or combine the two routes at dual common points and perform cross-haul operation by transporting between points in the same destination area. *Malone Freight Lines, Inc. v. United States et al. 107 F Supp 946.*

Titles and Index

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TITLES

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UNITED STATES COURT OF APPEALS, NINTH CIRCUIT

California Electric Power Company

v.

Federal Power Commission et al.

No. 12987
199 F2d 206
October 14, 1952; rehearing denied November 12, 1952

PETITION *for review of order of Federal Power Commission asserting jurisdiction over certain sales of electric energy; order affirmed. For Commission decision, see (1951) 89 PUR NS 359.*

Rates, § 13 — Authority of Federal Power Commission — Licensee.

1. The Federal Power Commission has authority to regulate rates of an electric company as a public utility under Part II of the Federal Power Act even though the company is a licensee under Part I of the act, p. 68.

Interstate commerce, § 22 — Transmission of electric energy across state line — Ownership of facilities.

2. The fact that facilities for the transmission and sale of electric energy by a power company are all located within the same state while the facilities used by it to transmit the energy across the state line are owned by the purchasers of the energy in no way detracts from the interstate character of the out-of-state sales, p. 68.

Interstate commerce, § 22 — Sales of electricity — Government ownership of transmission facilities.

3. The fact that the transmission facilities used by a power company for delivering electric energy across a state line are owned and operated by the United States is of no consequence in determining that the company is making sales in interstate commerce; the question is not whether the United States is in interstate commerce but whether the company is, p. 68.

Electricity, § 2 — Federal Power Commission jurisdiction — Interstate sales at wholesale to municipality and Navy.

4. Sales of electricity to the United States or to a county are not excluded from the definition of sales at wholesale subject to regulation by the Federal Power Commission by reason of the definition in § 201(d) of the Federal Power Act, 16 USCA § 824(d), of sales at wholesale as sales to any person for resale or by reason of the provision in § 3(4), 16 USCA § 796(4), defining the word "person" as meaning an individual or a corporation, and § 3(3), 16 USCA § 796(3), excluding municipalities from the definition of a corporation, p. 68.

Electricity, § 2 — Federal Power Commission jurisdiction — Interstate sales at wholesale to municipality and Navy.

5. Section 201(f) of the Federal Power Act, 16 USCA § 824, providing

that no provision in Part II of the act shall apply to, or be deemed to include, the United States, a state, or any political subdivision of a state, intended exclusion or exemption from the regulatory burdens of the statute but did not exclude a county and the government as wholesale purchasers of power from the benefits of the regulation of utilities from which they buy; the entire thrust of Part II is toward the seller at wholesale, not the buyer, p. 69.

Rates, § 13 — Federal Power Commission jurisdiction — Interstate sales at wholesale — Absence of contract or reference to resale.

6. An express agreement or an intention on the part of a power company that energy sold across a state line to the United States Navy shall be resold is not required in order to confer jurisdiction on the Federal Power Commission to regulate rates for such energy sold at wholesale and resold by the Navy, p. 69.

Rates, § 13 — Federal Power Commission jurisdiction — Sales to Navy for resale.

7. The public interest is involved in rates charged by a power company to the Navy for energy sold interstate for resale by the Navy, whether the burden of possibly excessive rates were to fall on the ultimate consumer of the energy or on the nation's taxpayers, and such rates are subject to the jurisdiction of the Federal Power Commission, p. 69.

Rates, § 13 — Federal Power Commission jurisdiction — Percentage of interstate power resold.

8. The Federal Power Commission does not lack jurisdiction to regulate rates for electricity sold to the Navy and transported across a state line, on the theory that the percentage consumed by the Navy should be held subject to state regulation and only the part resold regarded as subject to regulation by the Federal Power Commission, when the supposed nonjurisdictional part of the energy is indistinguishable at the point of sale from the remainder and the amount resold is not constant but fluctuating, p. 69.

APPEARANCES: Henry W. Coil, Donald J. Carman, Riverside, Cal. (Harold M. Hammack and Kenneth M. Lemon, Riverside, Cal., of counsel), for petitioner; Bradford Ross, General Counsel, Howard E. Wahrenbrock, Assistant General Counsel, Federal Power Commission and (Leonard Eesley, Washington, D. C., Francis L. Hall, Arlington, Va., Louis C. Kaplan, Attorneys, Federal Power Commission, Rogers Heights, Md., of counsel), for respondent; L. E. Blaisdell, District Attorney of Mineral County, Hawthorne, Nev., for intervenor Mineral County; Holmes Baldridge, Assistant Attorney General, Paul A. Sweeney, Melvin Richter, T. S. L. Perlman, Attorneys, Department of Justice, Washington, D. C. (Charles Goodwin, Counsel, George Spiegel, Assistant Counsel, Bureau of Yards & Docks, Department of Navy, Washington, D. C., of counsel), for the United States as intervenor; Everett C. McKeage, Boris H. Lakusta, Wilson E. Cline, Attorneys, Public Utilities Commission of state of California, San Francisco, Cal., for California Public Utilities Commission, as amicus curiae.

Before Mathews, Healy, and Orr, CJJ.

HEALY, CJ: California Electric Power Company petitions for review of an order of the Federal Power Commission directing it to cease and desist from charging two Nevada customers (the Department of the Navy and Mineral county, Nevada) any rate other than "filed rates" for electric energy it sells those customers. [See (1951) 89 PUR NS 359.]

The Commission's order does not assume to perpetuate the "filed rates," but provides only that they shall control until and unless superseded by new rates filed by the company or by rates fixed by the Commission. Aside from some minor, and, we think, inconsequential, objections of a procedural nature, the issue posed by the petition is whether the rates are subject to the Commission's filing requirements, or whether, as the petitioner contends, the Public Utilities Commission of California, either alone or in conjunction with the Public Service Commission of Nevada, has jurisdiction over the rates charged these customers.

Petitioner owns and operates an interconnected system for the generation and distribution of electric power in California and Nevada. The power sold to the Navy and to Mineral county is generated in and transmitted from petitioner's Northern Division plants in California.[1] Most of it comes from three plants in petitioner's Mono Basin system, these being hydroelectric projects licensed by the Commission under § 4(e) of Part I of the Federal Power Act, 16 USCA § 797(e), to operate on the public lands. The energy sold the Navy is delivered to Navy-owned transmission lines at petitioner's Mill Creek plant in Mono county, California. From there it flows through the Navy's line across the California-Nevada state boundary to the Naval Depot at Hawthorne, Nevada. Similarly the electric energy sold Mineral county is delivered at the Mill Creek plant to Mineral county, which transmits the energy across the state border over its own line for resale to consumers in Mineral county. These lines in each instance are 55,000-volt transmission lines. At Hawthorne, Nevada, the energy in both instances is transformed to lower voltages for distribution.[2]

As regards the Navy, the power it purchases or generates is used to operate the Navy's various facilities at the Depot, and, in addition, to supply the needs of the occupants of a housing project which was built for and is occupied by civilian employees of the Depot, as well as the energy needs of the operators of the Depot's various concessions. Each housing or business unit has a separate meter, and the occupant thereof is billed and required to pay for the energy which he consumes. From 1943 to 1948,[3] between 15.4 per cent and 28.6 per cent of the Navy's yearly total power supply was resold to these residents and business concessions, the amount resold averaging 18.7 per cent of the yearly total. By contract entered into in 1943 peti-

[1] The Commission found that petitioner's facilities utilized in these sales are facilities used for the transmission of electric energy in bulk, not for local distribution.

[2] In addition to the energy purchased from petitioner, the Navy generates a small part (approximately 7.5 per cent of the amount purchased from the petitioner) of its own requirements on three Diesel generators located at the Naval Depot.

[3] The present proceeding was begun by order to show cause issued February 15, 1950.

tioner and the Navy agreed upon the rates to be charged for the energy furnished. This contract was not filed with the Power Commission as a rate schedule, but petitioner charged the contract rates until 1948, when it obtained from the California Public Utilities Commission a rate increase in respect of certain designated customers, including Navy, whom petitioner was serving under special contracts.

The properties and facilities of the Mineral county power system belong to and are operated by the county under the direction of its board of commissioners who ex-officio constitute the board of managers of the county-owned facility. Petitioner has sold to the county the power required for the system under a series of 3-year contracts providing that at rates set forth in the contract petitioner would furnish and the county would purchase all of the energy required by the latter for resale and distribution to the ultimate consumers in the state of Nevada.

[1] Petitioner argues that since it is a licensee under Part I of the Federal Power Act its rates to Navy and to Mineral county are to be regulated by the Commissions of Nevada and California under § 20 of the act, 16 USCA § 813, and that they are not subject to regulation under Part II, §§ 201, 205, and 206, 16 USCA §§ 824, 824d, 824e.[4] The contention is not different from that made and rejected in Pennsylvania Water & Power Co. v. Federal Power Commission (1952) 343 US 414, 418, 96 L ed 1042, 1047, 94 PUR NS 1, 72 S Ct 843, where the court said that Part II proceeds on the assumption that regulation of public utilities transmitting and selling power at wholesale in interstate commerce is a matter which necessarily must be accomplished by the Federal government. It was thought that the program formulated by the act would be hindered, not helped, if Part I licensees were held impliedly exempt from the more expansive regulation provided by Part II.

[2–4] The transactions in question manifestly constitute sales by a public utility of electric energy in interstate commerce. It is of no moment that petitioner's facilities for the transmission and sale of the energy are all located in California and that those used to transmit it across the line into Nevada are owned by the purchasers of the energy. Rhode Island Pub. Utilities Commission v. Attleboro Steam & Electric Co. 273 US 83, 71 L ed 549, PUR1927B 348, 47 S Ct 294; Federal Power Commission v. Arizona Edison Co. (CA9th 1952) 93 PUR NS 396, 194 F2d 679.[5] Nor is it of consequence, as the petitioner contends, that in one instance the energy is transmitted across the state line by the United States. Federal Power Commission v. Arizona Edison Co. *supra*, 93 PUR NS at p. 398, 194 F2d at p. 681. The question is not whether the United States is in interstate commerce, but whether petitioner is. But it is urged that sales to the United States or to Mineral county are not at

[4] The Commission found that the Nevada Commission has not been given jurisdiction by Nevada statutes over petitioner's charges to Mineral county or to the United States as contemplated by §§ 19 or 20, hence alternative jurisdiction is by those sections conferred upon the Federal Power Commission. Petitioner asails the finding, but we think it unnecessary to resolve the dispute.

[5] Section 201(c) of the act provides that "electric energy shall be held to be transmitted in interstate commerce if transmitted from a state and consumed at any point outside thereof . . . ."

wholesale within the act's intendment since § 201(d) defines sales at wholesale as sales to any *person* for resale, and neither the United States nor Mineral county is by definition a person. Sections 3(4) and 3(3) of Part I and 201(f) of Part II of the act are appealed to in support of the argument. Section 3(4) defines the word "person" as meaning "an individual or a corporation," and § 3(3), defining "corporation," excludes municipalities from the definition. Section 201(f) will be noticed in a moment.

The argument here predicated on § 201(d) was made to the seventh circuit in the recent case of Wisconsin-Michigan Power Co. v. Federal Power Commission (CA7th 1952) 94 PUR NS 515, 197 F2d 472, where a number of municipalities were involved as purchasers for resale. Upon consideration of the legislative history and gradual development of the several provisions of the act, together with the policy of the legislation as a whole, the court concluded, 94 PUR NS at p. 522, 197 F2d at p. 479, that Congress did not intend to exclude from its definition of sales at wholesale sales to municipalities for resale. It thought that to construe the act as the power company contended would be to neglect other provisions, such as §§ 306 and 313(a), relating to complaints by municipalities, and to leave those bodies open to the rankest discrimination.

We agree with the seventh circuit that reference back to the early definitions contained in Part I should not be permitted to thwart the general policy manifested by the statute as a whole. It seems more than probable that the significance of those definitions was overlooked in the later formulation of Part II.

[5] Nor is § 201(f) of help to the petitioner. This section states that "No provision in this Part shall apply to, or be deemed to include, the United States, a state or any political subdivision of a state . . . ." It is clear that the intended exclusion or exemption is from the regulatory burdens of the statute. For the purposes of the act these public bodies are simply not deemed to be public utilities. But it would be inconsistent with the policy of the legislation, as well as with certain of its provisions already mentioned, to hold that, as wholesale purchasers of power, they are excluded from the benefits of the regulation of the utilities from which they buy. The entire thrust of Part II is toward the seller at wholesale, not the buyer.

[6–8] Petitioner's sales to Mineral county are substantially in their entirety sales of energy for resale. But in respect of the United States it is contended, on several grounds, that the sale to the Navy is not for resale within the intendment of the act. The principal of these grounds is that only a minor percentage of the amount sold the Navy was resold by it.[6] Another objection to Commission jurisdiction is that the Navy resells at a low rate; and a third is that petitioner's contract made no reference to resale and that petitioner did not intend to sell for resale.

We turn first to the latter objections. The Commission found as a fact that the energy in question was resold to ultimate consumers and con-

[6] As observed above, the actual percentage of power resold fluctuated rather widely, averaging 18.7 per cent of the yearly total.

sumed in Nevada. It found also that petitioner had knowledge of the resales. We are not persuaded that an express agreement or an intention on the company's part that the energy shall be resold is required in order to confer jurisdiction. It appears without dispute that the only reason the service was not rendered by the local electric utility (Mineral county) was the latter's financial inability to undertake the business, hence the necessity of the Navy's action. As to the rate at which the Navy sells, we agree with the Commission that the public interest is involved in the company's rate to the Navy, whether the burden of possibly excessive rates were to fall on the ultimate consumer of the energy or on the nation's taxpayers.

Petitioner's argument of lack of jurisdiction based on the percentage of power resold seems finally to have resolved itself down to the proposition that the percentage consumed by the Navy should be held subject to state regulation, and only the part resold regarded as subject to regulation by the Commission. In rebuttal the Commission cites Jersey Central Power & Light Co. v. Federal Power Commission (1943) 319 US 61, 87 L ed 1258, 48 PUR NS 129, 63 S Ct 953; Connecticut Light & P. Co. v. Federal Power Commission (1945) 324 US 515, 89 L ed 1150, 58 PUR NS 1, 65 S Ct 749; and Hartford Electric Light Co. v. Federal Power Commission (CA2d 1942) 46 PUR NS 198, 131 F2d 953, certiorari denied (1943) 319 US 741, 87 L ed 1698, 63 S Ct 1028, dealing with commingled flows of outstate and intrastate energy. It is unnecessary to discuss these cases in view of the very recent decision in Pennsylvania Water & Power Co. v. Federal Power Commission, *supra,* which deals with the same problem. Although the situations are not identical, we are inclined to think that the Penn Water Case in principle disposes of petitioner's argument. There the power company contested the Commission's jurisdiction to regulate its sales in Pennsylvania to Pennsylvania utilities on the ground that 83 per cent of the energy so sold was intrastate energy developed in Pennsylvania, only 17 per cent coming from Maryland. The court said that the Commission "has complete authority to regulate all of this commingled power flow." [94 PUR NS at p. 5, 72 S Ct at p. 846.]

Here, as in the Penn Water Case, the supposed nonjurisdictional part of the energy is indistinguishable at the point of sale from the remainder. Moreover the amount resold is not constant, but fluctuating. The Commission contends that it is not practicable to segregate the jurisdictional from the alleged nonjurisdictional part. It seems clear, although petitioner contends otherwise, that the only mode of segregation would be by separating the two loads and supplying each by an independent transmission line from the point of metering and purchase to the Depot.

In virtually all sales of power to a public body, such as a municipality, we would suppose that some part of the energy is used by the purchaser for its own purposes, the rest being resold to the consuming public. It would create untold difficulty and confusion if petitioner's argument in respect of severability for rate regulation purposes were to be given countenance.

The Commission's order is affirmed.

NEW JERSEY BOARD OF PUBLIC UTILITY COMMISSIONERS

Re South Jersey Gas Company

Docket No. 6127
October 29, 1952

APPLICATION *by a gas company for approval of modification of rates; suggested modification disapproved and refiling with suggested changes directed.*

Rates, § 303 — Fuel adjustment clause — Gas.

1. A gas company was authorized to include in its tariff a provision for passing on to its customers any increase in the cost of gas purchased by it where the company's 4.67 per cent return for a previous year indicated that the company was not in a financial position to absorb an increase in the cost of purchased gas without increasing rates to its customers, p. 74.

Rates, § 303 — Fuel adjustment clause — Gas.

2. A 56 per cent annual load factor criterion in the proposed fuel adjustment clause of a gas company was replaced by a 60 per cent annual load factor where the former factor did not sufficiently recognize the admittedly better load factor of the average residential customer who does not use gas for space heating, p. 74.

Rates, § 303 — Gas — Automatic application of fuel clause.

3. A purchased gas adjustment clause in a gas company's rate schedule was modified to provide for procedural safeguards so that adjustments would not be fully automatic but would receive appropriate review and modification, if necessary, before they actually became effective, where it appeared that the fuel clause would have a significant effect amounting in some cases to 10 per cent of a customer's bill if rate increases were authorized for the company's fuel supplier, p. 75.

APPEARANCES: Maurice Y. Cole, for South Jersey Gas Company; William E. McGlynn, for the people of the state of New Jersey, by appointment of the attorney general; Herbert J. Flagg, in behalf of the Board of Public Utility Commissioners, Department of Public Utilities.

By the COMMISSION: South Jersey Gas Company, a public utility as defined by the laws of the state of New Jersey, subject to the jurisdiction of the Board of Public Utility Commissioners, filed its Tariff P.U.C. N.J. No. 1—Gas to become effective for bills rendered on and after April 1, 1952. Said tariff provides the same basic rates for gas service as are now on file with the Board except that it limits to an amount not exceeding $4 the difference between the gross bill and the net bill rendered to customers which difference heretofore has not been so limited. It appears that some customers will be benefited and no customers will be adversely affected by

this provision. Also said tariff contains in each of certain rate schedules a provision entitled, "Purchased Gas Adjustment" which would have the effect of increasing or decreasing the rates to customers served under such rate schedules, in the event the present rates under which South Jersey Gas Company purchases natural gas should be increased or decreased.

By order dated March 19, 1952, the Board suspended said Tariff P.U.C. N.J. No. 1—Gas to July 1, 1952, and fixed April 9, 1952, as the date for public hearing on the justness and reasonableness of said Purchased Gas Adjustment provisions in said tariff. The Board also directed the South Jersey Gas Company to give general notice of said proceeding to its customers by publication of advertisements in newspapers and to submit copies of the said tariff with accompanying statement as filed with the Board to the state attorney general and to the United States Office of Price Stabilization. The company adduced proof at the hearing that it had complied with the order of the Board as to the giving of notices.

By further order of the Board the suspension of said tariff was extended to October 1, 1952, and subsequently the company agreed in writing not to make the tariff effective prior to November 1, 1952, unless the Board has determined the matter before that date.

The record herein being complete and it being duly advised in the premises, the Board hereby enters its report, findings, and order.

Report

South Jersey Gas Company has been distributing natural gas to customers throughout its service area since early in 1951. The company purchases its full supply of natural gas from the Transcontinental Gas Pipe Line Corporation (Transcontinental) under a 20-year contract at a specified rate.

The rates under which the Transcontinental Gas Pipe Line Corporation supplies natural gas to its customers are under the jurisdiction of the Federal Power Commission, an agency of the United States Government, and are subject to lawful change through appropriate procedure notwithstanding that a particular customer—as in the case of South Jersey Gas Company—may have a contract for a supply of gas at a specified rate.

It appears that in October of 1951, Transcontinental filed a general increase in its rates with the Federal Power Commission. These rates were suspended by the Commission and made the subject of a proceeding designated as Docket G–1842. The Board takes official notice that said proceeding was dismissed by the Federal Power Commission subsequent to the Board's hearing in the instant cause. The Board also takes official notice that Transcontinental on September 17, 1952, again filed a general increase in rates with the Federal Power Commission which that agency suspended and made the subject of a proceeding designated as Docket G–2075 which proceeding is pending at the present time.

The average unit cost of gas purchased by South Jersey depends on its load factor. For purposes of its calculations South Jersey adopted a load factor of 56 per cent as being a little higher than the load factor actually developed by its retail business. The

record shows that at 56 per cent annual load factor the average cost of natural gas to South Jersey, which is 33.33 cents per thousand cubic feet under present rates, would be increased to 44.78 cents per thousand cubic feet under the rates originally proposed by Transcontinental. This is an increase of approximately 34.3 per cent.

The Purchased Gas Adjustment provisions contained in South Jersey's Tariff P.U.C. N.J. No. 1—Gas would have the effect of passing on to the company's customers a portion of the effect of any increase in the rates of Transcontinental on the cost of gas to South Jersey. This would be accomplished by adjusting the rate per therm quoted in its several rate schedules by a uniform amount to be determined in accordance with a stated formula. Tariff provisions of the type here under consideration, usually designated "Fuel Adjustment Clause," have been generally recognized by regulatory agencies for many years. They have proven to be practical and reasonable for the purpose of reflecting in charges for utility service uncontrollable changes in cost of basic materials used in producing the service. The previous rates of South Jersey applicable to manufactured gas contained such a fuel adjustment clause. The record shows that in filing its original rates for natural gas service South Jersey did not include a provision for adjusting charges to customers to conform to changes in unit cost of purchased gas because it believed that the contract rates for gas would not be changed during the 20-year term of the contract.

At the hearing, South Jersey proposed a restatement of the Purchased Gas Adjustment provision, as originally filed, for the stated purpose of clarifying the provision. It was pointed out that the amendment would not alter the intent of the provision as originally filed.

Under certain conditions a Natural Gas Pipe Line Company whose proposed increased rates are involved in a proceeding before the Federal Power Commission may charge such rates on a temporary basis under a bond to refund to customers (such as South Jersey) the difference, if any, between the amount actually charged and the amount that would have been charged under the rates finally authorized by the Federal Power Commission. In recognition of such a situation South Jersey Gas Company's Tariff P.U.C. N.J. No. 1—Gas contains Rider No. 1, the intent of which is to provide a method by which it will make appropriate refunds to its customers in the event the Purchased Gas Adjustment clause becomes operative and the Federal Power Commission allows increased rates to Transcontinental which are lower than those it may be charging on a temporary basis so that South Jersey shall be entitled to a refund from Transcontinental. Rider No. 1 as filed contains some statement relative to adjustments of the Purchased Gas Adjustment formula in the event of a change in the company's annual load factor. At the hearing the company proposed an amendment to Rider No. 1 so as to eliminate the three paragraphs identified as subsection (2) on Original Sheet No. 40 in the original filing. The evident intent of the amendment is to eliminate a rigid basis for recalculation of the Purchased Gas Adjustment formula and substitute

therefor its agreement stated for the record that if change in conditions should indicate that a revision is desirable for equitable treatment of its customers, it will consult with the Board concerning revision of the Purchased Gas Adjustment formula in the light of any change in conditions on which the formula is based.

[1] The first question to be disposed of in this case is whether the company is in a financial position wherein it could reasonably be required to absorb an increase in the cost of purchased gas without increasing its rates for service. The evidence shows that for the 12-month period ended February 29, 1952, South Jersey realized an operating income of $796,854 and a net income of $507,716 after interest and other fixed charges. The company claimed a net investment rate base of $18,050,373 for the year 1951. This amount is the average of figures at the beginning and end of the year. It is not possible from the evidence to derive a precisely comparable rate base for the 12-month period ended February 29, 1952, but it is clear from Exhibit P–5 that the increase in investment in total utility plant is approximately offset by increases in depreciation reserve and decreases in the balance carried in materials and supplies and unamortized conversion costs. It is, therefore, reasonable to conclude that a net investment rate base of $18,050,373 may equitably be used for testing the reasonableness of the company's return for the 12-month period ended February 29, 1952. When the operating income of $796,854 for the said 12-month period is related to said rate base it indicates an experienced rate of return of 4.41 per cent.

The Board takes notice that since the hearing in this cause South Jersey has acquired by purchase and merged into its operations the property and business of Cumberland County Gas Company. Thus, prospective conditions may differ somewhat from those prevailing prior to the hearing. The Board also takes notice that studies made by its staff which reflect the new conditions for twelve months ended June 30, 1952, indicate an experienced rate of return of 4.67 per cent for that period.

The conclusion is plain that under present circumstances South Jersey is entitled to the opportunity to recoup any increased unit cost to it of purchased gas through appropriate adjustment of its rates.

If, as time passes, operating expenses generally are reduced, or if the operating revenues of the company increase by reason of a greater volume of sales so that the operating income of the company approaches the level of a fair return, the Board would be warranted in giving consideration to the reasonableness of the rates that South Jersey may be charging at that time. At any time that circumstances may warrant, the Board will act in accordance with the principle laid down by the New Jersey supreme court which said in the Atlantic City Sewerage Company Case (1942) 128 NJL 359, 367, 44 PUR NS 50, 57, 26 A2d 71: "There is in the continuing supervisory power of the administrative agency a wholly adequate remedy for the correction of inequities flowing from the need of adjustment due to shifting circumstances."

[2] The next question to dispose of is whether the Gas Purchased Ad-

justment clause would equitably accomplish the distribution to customers of South Jersey of any change in the cost of purchased gas that would be due to changes in the authorized rates of Transcontinental. Of particular concern is the reasonableness of the 56 per cent annual load factor criterion expressed in the clause. This brings up for consideration the load factor at which South Jersey buys its gas from Transcontinental, because the load factor has an important influence on the average cost of gas per thousand cubic feet. The company load factor is a composite of the load factors of individual customers. Customers who use gas for cooking, water heating, and refrigeration characteristically have relatively high load factors, while customers who use gas exclusively for space heating have relatively low load factors. The "2-part" contract under which South Jersey buys gas from Transcontinental specifies a minimum annual system load factor of 65 per cent. Hence, if South Jersey is able to exceed that load factor it obtains a proportionally lower unit cost of the gas it buys.

There is a complicating factor here because of sales of gas to main-line industrial customers on an interruptible basis. These main-line customers have average daily use on an annual basis which is considerably higher than their usage on the company's peak day, resulting in an annual load factor of over 100 per cent for customers of this type. The company pointed out that only by reason of its sales on an interruptible basis to the main-line industrial customers was it able to achieve a system-wide load factor of more than 65 per cent. According to the evidence this interruptible business is beneficial as respects the cost of gas used by the retail customers.

Considering the retail business alone, the evidence shows that for the twelve months ended February 29, 1952, the calculated load factor applicable to natural gas was 52.7 per cent. The company estimated that the comparable load factor for 1952 would be 55.0 per cent and for 1955 it would be 51.3 per cent. Based on these calculations and estimates and on other general considerations, the company concluded that the base average rate for purpose of the adjustment clause should be determined at 56 per cent annual load factor.

The company estimates that as a matter of prudent policy it will have to operate its standby gas plant on its largest peak days in order to avoid an alternatively greater expense through having to pay increased demand charges to Transcontinental. Such action would tend to avoid an increase in the average rate the company would pay for natural gas.

The Board is of the opinion that the 56 per cent annual load factor criterion stated in the adjustment clause proposed by the company does not sufficiently recognize the admittedly better load factor of the average residential customer who does not use gas for space heating. There appears to be no precise method of determining this load factor so it becomes largely a matter of expert opinion. Without asserting that the 56 per cent criterion is wrong, the Board is of the opinion that 60 per cent is more acceptable under the circumstances prevailing in this case.

[3] As proposed, the Purchased

Gas Adjustment clause obviously contemplates that charges to customers would be increased automatically in accordance with the formula upon the date new and higher rates of Transcontinental become effective. Such an automatic increase could have a significant effect on a customer's monthly bill. For example, the adjustment that would result from the formula on the basis of the increased rates originally proposed by Transcontinental would amount to roughly 10 per cent of the present monthly bill of an average residential space-heating customer. This is serious enough to warrant the Board in setting up procedural safeguards so that such adjustments shall not be fully automatic but will receive appropriate review, and modification if necessary, before they actually become effective.

Findings of Fact

Having considered the record and exhibits in this proceeding the Board hereby finds:

1. That the return being earned by South Jersey Gas Company is not sufficient, either presently or prospectively in the foreseeable future, to enable it to absorb any increase in rates it must pay for natural gas without suffering an unfair and unreasonable decrease in such return;

2. That under the circumstances present in this case it is reasonable and proper to provide in advance a fair procedure whereby there may be distributed to customers, in proportion to their use of gas, a total amount not exceeding the additional cost of gas sold in the event natural gas rates to the company are lawfully increased. Conversely such a procedure should provide for distribution to customers of total savings resulting from a lawful decrease of natural gas rates to the company;

3. That it is desirable and reasonable to include in the company's gas tariff a Purchased Gas Adjustment clause which will set forth the formula under which will be determined the specific adjustments to the company's rates in order to produce the result described in Finding No. 2;

4. That in the circumstances of this case the annual load factor to be used in determining the base average rate for purchased gas should not be less than 60 per cent;

5. That the public interest requires that any adjustments to rates calculated under a Purchased Gas Adjustment clause as herein contemplated shall be filed with the Board in a regular manner and be subject to such review as the Board may determine.

ORDER

Wherefore the Board *orders:*

1. That Tariff P.U.C. N.J. No. 1 —Gas, heretofore submitted by South Jersey Gas Company be not accepted for filing in its present form but that the company be allowed to withdraw and refile it so as to include therein a Purchased Gas Adjustment provision in conformity with the views hereinabove expressed and as set forth in paragraph 2 of this order. Such provision may be included in said tariff as a rider or it may be set forth on each rate schedule to which it applies. In case it appears as a rider it shall carry a list of the rate schedules to which it applies and correspondingly each such rate schedule shall carry a reference to the rider.

2. That when an adjustment in rates, or change in an authorized adjustment, would result from the operation of the formula set forth in the Purchased Gas Adjustment provision referred to in paragraph 1 above, the company shall issue and file with the Board in the regular manner, on thirty days' notice, a supplement to its tariff or to appropriate rate schedules therein, which supplement shall set forth the specific adjustment calculated in accordance with said formula. Said supplement shall be accompanied by statements and calculations relevant thereto and shall specify an effective date, which effective date shall be not less than seven days following the date when a lawful increase in rate for natural gas purchased by the company becomes effective; or be not more than seven days following the date when a lawful decrease in said rate for natural gas becomes effective. All notice provisions set forth in this paragraph are to be deemed subject to modification by the Board if good cause therefor is established.

3. That the authorizations of this order shall not be available to South Jersey Gas Company unless and until the company files with the Board a duly verified acceptance of this decision which shall include an undertaking on the part of the company to the effect that in the event (a) Transcontinental Gas Pipe Line Corporation is authorized by the Federal Power Commission to increase its rates to South Jersey Gas Company during the pendency of a proceeding involving its rates before said Commission; and (b) the Federal Power Commission eventually approves rates for Transcontinental which are lower than those that have been actually charged to South Jersey in the interim, which would result in South Jersey receiving from Transcontinental a refund of overcharges or differential in rates; then South Jersey will distribute said refund to its customers in accordance with a method of calculation and plan of distribution that has been submitted to and approved by this Board.

MASSACHUSETTS DEPARTMENT OF PUBLIC UTILITIES

Re Cambridge Electric Light Company

D.P.U. 9781
August 1, 1952

INVESTIGATION *on Commission motion as to propriety of proposed electric rate increases; proposed rates disapproved and new rate increase prescribed.*

Valuation, § 299.1 — Working capital allowance — Effect of tax accruals.

1. No allowance was made for cash working capital in fixing an electric rate base where the company's cash requirements were adequately met out of the funds provided by the ratepayers in advance of tax payments, p. 80.

Return, § 12 — Reproduction cost basis.

2. An electric company's return allowance should not be based upon "present-day dollars" or upon a rate base "trended to present-day costs," p. 80.

Return, § 11 — Actual investment basis.

3. An electric company's return allowance should be based upon the company's actual investment as it appears on its books, p. 80.

Depreciation, § 56 — Annual accruals — Electric company.

4. An increase in an electric company's annual depreciation accruals from $2\frac{3}{4}$ per cent to 3 per cent, being the rate allowed under Federal tax regulations, was allowed where the arithmetical average of the company's percentage accruals for the past six years inclusive was 3.12 per cent, p. 82.

Expenses, § 114 — Taxes — Consolidated returns.

5. The earnings of an electric company which is a member of a holding company system should be computed in the light of its position after a consolidated tax return credit, p. 83.

Revenues, § 2 — Future estimates.

6. An electric company's revenue estimates should be developed on present-day actual costs without trending them for future years, p. 84.

Return, § 41 — Debt ratio — Intercorporate relations.

7. The capital structure of a holding company system should be considered in determining what debt ratio the Commission should use in computing the earnings which it must permit a subsidiary operating utility to realize, p. 84.

Return, § 26 — Debt ratio factor — Electric company.

8. A debt ratio of 50 per cent was considered a fair allocation of the capital of an electric company which was a member of a holding company system, p. 84.

Return, § 87 — Electric company.

9. A return of at least 5.825 per cent (as the composite cost of capital) was considered necessary to enable an electric company to maintain its credit and attract new capital where its composite cost of equity capital under a 50 per cent debt structure would be not less than 8.5 per cent and the composite cost of debt capital was 3.15 per cent, p. 85.

Discrimination, § 67 — Electric rates — Concessions to municipalities.

10. A municipal government is to be considered strictly as a customer of an electric company, and the fact that the taxpayers upon whom the burden of municipal costs fall are in large measure also individual customers of the utility does not permit the utility to furnish service to the municipality except at fair and reasonable rates which will give the utility a fair return on the property devoted to such use, p. 87.

APPEARANCES: W. A. Hill, for Cambridge Electric Light Company; Mosier B. Goldberg, Assistant City Counsel, for city of Cambridge.

By the DEPARTMENT: Cambridge Electric Company filed on November 9, 1951, its M.D.P.U. Nos. 57 to 65, inclusive, stated to be effective December 1, 1951, containing increased schedules of residential, commercial, and industrial rates for electricity. The application of such schedules was sus-

pended by order of the Department, and an investigation ordered as to their propriety. Public hearings were held in Cambridge on January 8, 1952, continued in Boston on January 29th and 30th and closed on February 27th. In order to complete the record in certain respects, the matter was reopened and a further hearing held on June 12, 1952.

Respondent serves about 27,000 customers with electricity in the city of Cambridge and supplies current at wholesale to the adjacent town of Belmont. This territory is a compact, highly industrialized area of about 120,000 population with a load factor that has been of material assistance for many years in keeping its electric rates among the lowest in the state. The proposed rates contemplate an over-all increase of about 20 per cent at the average domestic use of 1,192 kilowatt hours annually. The total percentage increase in residential revenue is about 17.2 per cent, in commercial about 13.6 per cent, in institutional lighting about 9.9 per cent, in general power about 18.5 per cent, in large power about 8.1 per cent, and in high-tension power about 6.3 per cent. Respondent's present domestic revenue is about 3.083 cents per kilowatt hour. It proposes to collect about 3.613 cents. Its entire operating revenue from the rate classifications affected is about 1.946 cents per kilowatt hours under present rates as against about 2.171 cents under the proposed rates. These schedules are designed to bring in about $565,000 additional annual gross revenue.

Respondent's instant proposal reverses a trend that has been effective for many years. Between 1928 and 1946, respondent made successive rate changes involving reductions in gross revenue aggregating $1,248,830 annually. This figure is the more impressive when it is considered that these reductions were made prior to the existing heavy corporate income taxes. Of this aggregate amount, $403,510 was referable to domestic rates, $512,970 to commercial, $247,620 to industrial, and $84,730 to other rates. Under present rates, respondent is collecting an average revenue per kilowatt hour of 26.7 per cent less from residential customers than in the base period of 1935–1939, 24.3 per cent less from commercial and 18.1 per cent less from industrial. Under the proposed rates, it is estimated that the rates will still be 14.1 per cent less to domestic users, 14.4 per cent less to commercial users, and 12.2 per cent less to industrial. An unascertainable but very substantial portion of this decrease is, of course, due to increased average consumption at the tailing rate. Since 1945, the average annual use per residential customer has increased from 827 kilowatt hours to 1,192 kilowatt hours, an increase of about 44 per cent. Commercial average use went from 6,018 kilowatt hours to 9,674 kilowatt hours, or an increase of about 60.7 per cent. It is still true, however, that some portion of the decrease we have noted is due to respondent's past rate policies.

Respondent's common stock is entirely owned by New England Gas and Electric Association, a Massachusetts trust, which also owns a number of other gas and electric properties in the eastern part of the state. A condensed balance sheet of respondent as of October 31, 1951, is as follows:

ASSETS

Operating property	$18,000,763	
Other investments	566,148	
Cash and accounts receivable	919,565	
Materials and supplies	344,060	
Plant replacement fund assets	48,116	
Other assets	159,824	
Total Assets		$20,038,476

LIABILITIES

Common stock and premium	$6,568,000	
Coupon and long term notes	2,695,000	
Other liabilities	798,502	
Reserves—depreciation	5,274,080	
—other	43,731	
Contributions for extensions	15,917	
Surplus—invested in plant	4,000,000	
—profit and loss	643,246	
Total Liabilities		$20,038,476

[1] Respondent shows a balance in its Plant and General Equipment accounts as of December 31, 1951, of $18,266,005, including some unfinished construction transferred to plant early in 1952, or a net after accrued depreciation of $12,941,300. It also carried materials and supplies as of the same date in the amount of $354,118. It accrued an average of $80,400 per month during the year 1951 toward Federal income taxes not payable until 1952 and municipal property taxes not payable until November 1, 1951, and had an average balance on hand in these accounts, including prepayments, during the year of $495,895. Forty-five days' operating expense, exclusive of taxes, depreciation and purchased power, amounts to $337,000. We find that respondent's cash requirements for working capital are adequately met out of the funds provided by the ratepayers in advance of tax payments. An analysis of its average cash position for 1951 shows that the sum of its account for materials and supplies, which is a legitimate item of working capital and which we are allowing, plus temporary cash investments, which we see no reason for including in its requirements, almost exactly equals the amount by which it claims that its cash position fell short of accruals, leaving a very adequate supply of bank cash of about $450,000. In accordance with the policy established in Re Western Massachusetts Electric Co. D.P.U. 9658, no allowance is, therefore, made for cash working capital. We find that respondent had prudently invested in electric utility operating plant as of December 31, 1951, the amount of $13,295,418, which we will adopt as the rate base for the purposes of this case.

[2, 3] We are again asked to apply this percentage of return to a rate base computed on "present-day dollars" or "trended to present-day costs." We have very recently refused to alter our thinking along this line. See Re Western Massachusetts Electric Co. D.P.U. 9658. When our conclusion as to the proper rate of return is drawn from evidence of present-day market conditions, we believe we are justified in applying this result to the actual investment of respondent as it

appears on its books. We are aware, of course, that any utility would be delighted to use a figure other than original cost under present-day conditions. This has been true for a number of years, and a number of regulatory bodies and courts have been asked to change this concept. There has been a running fight in this connection with confused and inconclusive results from the time of Smyth v. Ames (1898) 169 US 466, 42 L ed 819, 18 S Ct 418, to the Hope Natural Gas Case (1944) 320 US 591, 88 L ed 333, 51 PUR NS 193, 64 S Ct 281. Certainly, Massachusetts, where the concept of original cost was evolved at so early a date, should not be among the first to abandon it without more cogent evidence than here appears. See Re Wisconsin Electric Power Co. (Wis 1952) 93 PUR NS 97; New Jersey Power & Light Co. v. Public Utility Comrs. (1952) — NJ —, 95 PUR NS 467, 89 A2d 26.

Respondent has participated in the unprecedented growth of electric utilities over the past few years. In 1947, its balance sheet showed a net plant investment of $4,637,054. As of October 31, 1951, this figure had become $12,726,683, an increase of 174.4 per cent. The major cause of this impressive increase in investment was the installation of the new Kendall generating station at a cost of $7,923,790. Prior to the erection of these new facilities in 1948, the company had purchased about 55 per cent of its total requirements from Boston Edison Company at a cost of 1.099 cents per kilowatt hour. In 1951, it purchased only about 18½ per cent of its requirements at an average cost of about 1.2044 cents. The average cost of production in the new station was .574 cents in 1951. In 1948, respondent's generating facilities had a name-plate capacity of 25,800 kilowatts. In 1951, its rated capacity was 59,750 kilowatts.

Respondent was forced to build the Kendall Square station by the constantly increasing pressure which its requirements were placing upon Boston Edison Company, its supplier. Its demands had reached the point where in renegotiating its purchase contract, it had to face demands from the supplier for a price adequate to make it economical for the supplier to invest money in new generating facilities in order to meet the requirements of the contract. It is natural for us at this point to remind ourselves of the difficulties with which we are familiar which Boston Edison has been experiencing in keeping ahead of its own requirements. When faced with this situation, respondent quite properly determined to install its own base load generating facilities, which it could do most efficiently. It now has two such generating units in operation at Kendall Square, each supplied with its own boiler. Respondent estimates that the firm capacity so resulting will be exhausted by 1954, and that it must install an additional boiler at Kendall Square at that time, at an estimated cost of $3,065,000. It estimates that it will realize an annual saving in operating expenses in 1955, due to this expansion, of about $226,000. There is some doubt in our minds as to the economic justification of this installation on these figures, but we consider this speculation as impinging upon the duties and responsibilities of management. Furthermore, it is clear that respondent's then situa-

tion will require this installation in order to maintain its firm capacity at a safe level, regardless of expense. At any rate, apparatus of this nature is not put in place overnight, and respondent must know now whether it is going to be able to finance such (for it) major capital accretions. This is particularly true when it is considered that respondent contemplates other substantial additions to its plant, so that at December 31, 1954, its net plant account will amount to $17,173,226.

We have comparative actual income statements for respondent on a number of bases. Twelve months' statements for periods ending on the dates shown are as follows:

	12 months ending		
	May 31, 1951	Dec. 31, 1951	May 31, 1952
Operating revenues	$5,304,698	$5,750,833	$6,017,769
Operating expenses—depreciation	405,814	450,336	467,526
—other	3,206,844	3,448,954	3,635,429
—total	3,612,658	3,899,290	4,102,955
Net operating revenues	$1,692,040	$1,851,543	$1,914,814
Uncollectible revenues	2,400	2,400	2,400
Taxes—Federal income	447,827	528,125	557,363
—other	624,587	672,528	692,809
Net operating income	$617,225	$648,490	$662,242
Nonoperating income	43,314	23,387	19,919
Gross income	$660,539	$671,877	$682,161
Interest and other deductions	96,449	105,346	102,205
Net income	$564,090	$566,531	$579,956
Credit—consol. income tax return	90,286	112,872	111,758
Net income to profit & loss	654,376	679,403	691,714

Respondent has furnished us with a statement of its actual results for the twelve months ending May 31, 1952, adjusted to reflect current wage, fuel, and other costs. It seems to us that an analysis of this nature is particularly significant in a rate proceeding, since it applies to known operating results, known factors of costs, and ends up in a pro forma which is as little influenced by unknown or estimated factors as is possible in dealing with future events.

[4] Among the adjustments contained in this statement is a provision for depreciation accruals at the rate of 3 per cent in place of the 2.75 per cent currently being accrued. The higher rate is that allowed under Federal tax regulations. The arithmetical average of respondent's percentage accruals for the years 1945 to 1951, inclusive, is 3.12 per cent. As a matter of general principle, which we have propounded from time to time, so long as there is what we consider to be an adequate provision for depreciation, we are not inclined to question the determination of the management in this respect, and we are willing to concede that the proposed increase in depreciation rates may be justifiable.

Another major adjustment in the figures before us is based on the contract between respondent and Boston Edison for purchase of power. Effective October 1, 1952, the rates under this contract will be substantially greater than they have been. On a pro forma basis, this increase is in the order of $190,000 a year. Respond-

ent's engineers estimate, however, that operating procedures can be rearranged in such manner as to reduce this increment to about $130,000. It is quite apparent that, if we are to approve rates for any substantial future period, we must take this increased cost into consideration.

[5] After making the numerous corrections we have referred to in its earnings statement as of May 31, 1952, respondent shows an adjusted income balance transferable to profit and loss of $481,661, after consolidated tax return credit. Before interest, this amounts to $595,865. This includes about $4,500 net revenue from Miscellaneous Physical Properties which are not properly included in utility plant and which are not a part of the rate base we have found. Accordingly, the adjusted net income before interest but after taxes should be stated at $591,365. Such gross income would amount to about 4.45 per cent on the rate base which we have found. If respondent's revenues for the 12-month period, ending May 31, 1952, are modified to include the increases resulting from the instant proposal, it would show gross revenues after the adjustments we have described of $914,389, representing a return on such rate base of 6.87 per cent.

Respondent and its associated companies have stoutly and consistently maintained, in this and other cases, that the credit resulting from the use by their parent of a consolidated income tax return should not be considered in computing subsidiary net income for rate or any other purposes. There is, of course, something to be said for this approach, since the amount of such credit in one operating unit depends to some extent upon fluctuations in earnings in the other units. However, substantially all the New England Gas properties are utilities, and substantially all of them are companies operating under our jurisdiction. It seems to us that we are entitled to look to the actual results of these operations, and not close our eyes to realities. The holding company does not operate anything. It performs certain very useful functions, and it is a convenient device for integrating the operations of a number of corporations. But the theory of the consolidated return credit is that these corporations are under common ownership and could possibly merge into a single operating unit, and hence they should be taxed as though such merger had been accomplished. The subsidiary debt ratio is, as we will have occasion to note again later, considered only from a system standpoint on a consolidated balance sheet basis. Taxwise, it would make a very substantial difference if respondent had a different debt ratio. If respondent's holding company and its associates chose to merge, which doubtless would be impracticable and probably even undesirable, the consumers in the areas involved would jointly fall heir to this tax saving in a rate proceeding. We do not wish to determine whether such mergers should or should not be undertaken. We have approved a good many of them from time to time—some of them, indeed, within the New England Gas System itself. It seems to us that, if the holding company, for its own purposes, wishes to maintain the separate corporate identities of its subsidiaries, the convenience of so doing should not

carry with it the additional windfall of the tax return credit. The ratepayers in Massachusetts are furnishing the funds for the operations of this system —a fact which seems to be overlooked on appropriate occasion—and we do not intend to omit consideration of this or any other source of operating economy in protecting their interests. Accordingly, until we are otherwise instructed by the courts, we intend to continue to compute the earnings of this and any other constituent companies on their position after consolidated tax return credit. This position is consistent with the rules of the Securities and Exchange Commission under the Public Utility Holding Company Act, which established the method respondent follows in computing its consolidated return credit. The New Jersey supreme court has recently considered this very point in the New Jersey Power and Light Company Case (1952) — NJ —, 95 PUR NS 467, 89 A2d 26, and has come to the same conclusion. We therefore find that respondent's net income for the various periods is as indicated in the foregoing income statements.

[6] Respondent forecasts its net earnings for 1952 at $552,678 on the basis of present rates, and for future years as follows: 1953, $394,248; 1954, $285,025; 1955, $199,134. The figures for the years after 1952 were arrived at by projecting costs on the basis of past trends. In other words, respondent assumed that, because the price of oil has risen very materially in the past, it will continue to rise in the future. That may be true, and there is certainly nothing in recent history which would lead to a contrary conclusion. Nevertheless, we feel that estimates of this nature should be developed on present-day actual costs without trending them for future years. Chairman Buchanan of the Federal Power Commission has stated our feeling in this matter in 49 Public Utilities Fortnightly, 750, 755, where he said: "When experience of the recent past, adjusted for known events, is departed from and estimates of the future are substituted in its place, we leave the solid ground of fact to enter a realm of speculation." Rate making may not be an exact science, but it is as exact as we can make it. Rates are made, as we see it, for the future on the basis of what we know today. It is reasonable to estimate future use of current, for example, because the factors which influence such growth are well known to respondent. We have grave doubt that the factors which govern the rise and fall of prices are equally well known to it. If its pessimistic crystal gazing is accurate, it may come in later for rates based on such costs. For our present purposes we shall have to assume a static price level.

[7, 8] Respondent's actual debt ratio is about 20 per cent. We pointed out in Re Western Massachusetts Electric Co., D.P.U. 9658, that it is unrealistic to pay more than casual attention to the debt ratio of the operating company when it is one of a number of utilities which are members of a holding company system. Such treatment would put a premium on issuance of equity securities alone by the subsidiary, to the great detriment of the consuming public. See Re New Jersey Bell Teleph. Co. (NJ 1949) 80 PUR NS 97. Financing of the subsidiary companies of this, or

any holding company system, is usually accomplished by the sale of equity securities to the parent and of long-term debt to outside investors. The holding company, in turn, sells its equity securities to the public, plus such debt as it can float on reasonable terms. The more debt securities that are issued by the subsidiaries, the less debt can be issued by the parent, since the purchasers of the latter securities look to the consolidated balance sheet of the system. For this reason, it seems to us proper to consider the situation of the system in determining what debt ratio we should use in computing the earnings which we must permit respondent to realize.

The consolidated balance sheet of New England Gas and Electric Company and its subsidiaries at December 31, 1951, shows long-term debt aggregating $51,782,500 out of total capitalization of $83,934,584, or a debt ratio of about 61.7 per cent. Due to the presence of $6,946,700 of preferred stock, the common stock equity represents only about 30.1 per cent of total capitalization. It seems clear to us from these facts, that the reluctance of respondent's management to contemplate a more substantial debt ratio is based more on a desire to show favorable operating results to the parent company than upon any tendency toward conservative financing.

An analysis of the 58 debt security issues floated by corporations throughout the United States since January 1, 1948, which corporations have operating revenues of $1,250,000 to $20,000,000 more than 80 per cent of which is derived from sale of electricity, shows that 38 such balance sheets had a pro forma debt ratio in excess of 50 per cent and 52 showed a ratio in excess of 45 per cent. Incidentally, three of the other six issues were sold by companies under our jurisdiction. The arithmetical mean of all such debt ratios is about 50.6 per cent. Ratios of 55 or 60 per cent are not uncommon among electric companies, and the presence of such a high ratio does not seem to have much bearing upon the investors' ratings of their debt securities. We conclude that a debt ratio of 50 per cent represents a fair allocation of respondent's capital, when we insulate it as much as possible from its position in the holding company system. As we stated in the Western Massachusetts Case, *supra,* the fact that we have previously approved the issuance of securities designed to result in another and entirely different debt ratio has no bearing on the present inquiry. We would have had authority to require the respondent to adopt a different policy at the time of such applications (Lowell Gas Light Co. v. Department of Public Utilities [1946] 319 Mass 46, 62 PUR NS 238, 64 NE2d 640; Re Old Colony Gas Co. [1952] 93 PUR NS 113), but we are not convinced that an order approving the issue as requested by the utility estops us subsequently from determining that some other ratio is proper.

[9] Assuming this debt ratio, then, it is necessary for us to find what earnings respondent must be permitted to show in order to attract new capital and insure the financial stability of the enterprise. Hope Nat. Gas Co. v. Federal Power Commission (1944) 320 US 591, 88 L ed 333, 51 PUR NS 193, 64 S Ct 281. Respondent's expert was of the opinion that interest

rates at the December, 1951, level on respondent's debt on a 50 per cent ratio would be 3.25 per cent. Allowing .08 per cent for amortizable expenses, this would mean an eventual cost of additional debt capital of 3.33 per cent, which seems reasonable. Combining the present 20 per cent of debt at 2.875 per cent and the balance of 30 per cent at the rate of 3.33 per cent leaves a composite rate for debt securities of 3.15 per cent, which we find to be a proper figure for such use.

Respondent's expert further indicated that for a company having the risk characteristics of respondent, and at a 50 per cent debt ratio, the ratio of earnings to price should be 8.13 per cent or, in other words, it must earn this amount to keep its stock worth par or better. It will be noted that this is an *earnings*-price ratio, which includes amounts retained to surplus after dividends. At this point, however, we are obliged to leave him temporarily when he adds about 1½ per cent for cost of financing. Under the circumstances in which respondent finds itself, we do not agree that its expense of flotation of a common stock offering is to be judged by that experienced by an independent operating company. It occurs to us that this is another point where we cannot close our eyes to the fact that respondent has not for many years sold any of its stock to the public, and we do not know what the actual properly allocable expense of such an issue would be to the parent. We find that the cost of equity capital to respondent on a proper debt ratio is not more than 8.5 per cent. Accordingly, we find the composite cost of capital to respondent under a proper debt structure would be not less than 5.825 per cent, and that respondent must be allowed to realize a return of this amount on its investment in order to enable it to maintain its credit and attract new capital. On the rate base we have found, this would require net revenues before interest of $774,500. It is apparent that respondent must have an increase in its earnings available for interest and dividends of about $183,000 in order to meet this requirement. Before taxes, this figure comes to about $401,000, which is about $164,000 less than respondent is seeking to realize by its proposed schedules.

Two special contracts appear in evidence under which respondent delivers substantial quantities of electricity, and neither of which are, in our opinion, just and reasonable.

Respondent furnishes current to the municipal plant of the town of Belmont under a special contract which was last revised on March 1, 1950. It is for a term of five years, but, since it is one of a series of such contracts, which have been effective more than three years, is reviewable at any time by the Department, Gen Laws, Chap 164, § 94. Deliveries under this and the preceding contract have been as follows:

Year	Sales (kw. hr.)	Revenue Total	Revenue Per Kw. Hr.
1948	19,440,000	$286,709	$.0147
1949	20,361,600	314,318	.0155
1950	22,771,200	317,919	.0139
1951	25,248,000	347,483	.0137

It is reasonable to suppose that the load curve in Belmont bears a marked resemblance to the residential curve in Cambridge, since Belmont is almost exclusively a residential area. A com-

parison of the Belmont load curve with the system curve indicates that Belmont contributes at least to some extent to the system peaks. Consequently, there appears to be little advantage to respondent in this contract so far as load is concerned. The production cost of electricity at respondent's Blackstone street plant in 1951 was 1.182 cents per kilowatt hour, and respondent was, as we have pointed out, purchasing from Edison last year at an average price of 1.2044 cents. Neither of these prices has any weighting for carrying charges on plant and equipment or for profit. Respondent's contract for the purchase of power from Edison, effective October 1, 1952, calls for payment by it for such power at Edison's Rate M. If the town of Belmont had taken current from Edison under Rate M in 1951, it would have paid for such current at an average of 1.56 cents per kilowatt hour. We do not believe that respondent can sell current to Belmont at the present contract price and make a reasonable profit.

Respondent also has a street lighting contract with the city of Cambridge. It is dated January 15, 1946, and runs to January 15, 1951, and thereafter from year to year until terminated by notice. It has not been reviewed or revised since 1946. In 1951 respondent sold 4,705,024 kilowatt hours under this contract and received total revenue of $127,172.43 or at an average of 2.703 cents per kilowatt hour. It furnishes street lighting service to the Metropolitan District Commission under a contract which netted it an average of 6.3 cents per kilowatt hour in 1951. We are aware that this is not the most accurate measure of street lighting rates, but we still feel that the disparity is significant. Respondent is required by the contract with the city to furnish and maintain at its own expense all lamps, poles, standards, brackets, and other apparatus used in this connection. It had an investment of $270,094 in street lighting equipment as of December 31, 1951, and, in addition, had installed underground conduit applicable to this service in the amount of $171,432. It contemplates adding a net of $26,000 to its investment in these facilities during 1952 and $32,000 more during 1953. It estimates that about 80 per cent of this investment has been made for the city of Cambridge. Maintenance and similar expense directly attributable to street lighting in Cambridge for 1951 was stated by respondent at a total of $31,290.

[10] As we have previously pointed out, a municipal government is to be considered strictly as a customer of the electric utility. The fact that the taxpayers upon whom the burden of municipal costs fall are in large measure also individual customers of the utility does not permit the utility to furnish service to the municipality except at fair and reasonable rates which will give the utility a fair return on the property devoted to such use. Re Mayor of Springfield, D.P.U. 6368; Re Boston Edison Co. (1951) 90 PUR NS 79. After subtracting from street lighting revenue, the average revenue for all other sales and debiting against such figure the book cost of maintenance of street lighting equipment, respondent shows a balance of $8,185 which it apparently claims to be profit under this schedule. But, in doing so, it ignores the fact that it

has an aggregate of $353,221 invested in such special equipment for Cambridge alone. Respondent is generally adequately eager to see that it has a full return on its investment, and it is very clear that $8,185 is far from enough to cover depreciation, taxes, and return on the amount so invested for the use of this particular customer.

There is insufficient evidence in this record for us to order any modification in these contracts, assuming we have that power and would be willing to exercise it. However, it is apparent to us that respondent has not reviewed its position with these contracts in mind to see if it could avoid a general rate increase at this time. We believe we are justified by this fact in holding respondent to a bare minimum of earnings. It may renegotiate both of these agreements and we believe it can thus easily and materially improve its financial situation.

We are ordering certain changes to be made in the schedules filed by respondent. These changes are designed to produce additional gross annual revenues to respondent in the amount of about $401,000. This result does not take into consideration any resultant increase in consolidated return credit. On the other hand, respondent will have some additional expense for local taxes under the announced tax rate. See Re New England Teleph. & Teleg. Co. (1952) 96 PUR NS post, —. These items should roughly offset each other. We find that respondent's net revenues after such increase will be adequate to enable it to realize a fair return upon its invested funds and that such return will be sufficient to attract new capital and maintain its credit position.

Respondent has filed four requests for rulings with the usual waiver of the time limitations of § 5 of Gen Laws, Chap 25. We grant its requests Nos. 2 and 3. We deny its requests Nos. 1 and 4.

COLORADO PUBLIC UTILITIES COMMISSION

Re Iowa Electric Light & Power Company

Application No. 11982, Decision No. 39531
October 20, 1952

APPLICATION *by gas company for authority to furnish commercial and residential service from high-pressure lines owned and operated by a transmission company; granted.*

Service, § 295 — Ownership of equipment — Gas service from high-pressure lines.

1. A gas company being authorized to furnish commercial and residential service from a high-pressure transmission line should provide, install, maintain, and own all the equipment necessary for this service, p. 90.

Rates, § 260 — Surcharges — Gas service from high-pressure lines.

2. A gas company being authorized to furnish residential and commercial service from a high-pressure transmission line should be permitted to file a surcharge on its rate, subject to appropriate conditions, when the company is required to own and provide all equipment necessary for this service, p. 90.

APPEARANCES: Paul C. Lennartz, Sterling, for applicant; W. Geo. Denny, Jr., Denver, and J. M. McNulty, Denver, for the Commission.

By the COMMISSION: On August 27, 1952, the Iowa Electric Light and Power Company, by its attorney, filed an application with this Commission for a certificate of public convenience and necessity to render gas service in the territory extending one mile on each side of, and in a radius of one mile from, the ends of the high-pressure gas lines owned and operated by Natural Gas Producers, Inc., said application to be an extension of, or a clarification of, a certificate heretofore granted to applicant by the Commission.

The matter was set for hearing, and heard, on October 10, 1952, at ten o'clock A.M., in the Commission's hearing room, 330 State Office building, Denver, Colorado, after due notice to all interested parties, and then taken under advisement.

Iowa Electric Light and Power Company, applicant herein, is a corporation duly organized and existing under and by virtue of the laws of the state of Iowa, and is qualified to transact business in the state of Colorado. A copy of the certificate of incorporation of applicant, together with all amendments thereto, has heretofore been filed with this Commission in Application No. 11268, August 7, 1951.

Applicant is a public utility as defined in § 3, Chap 137, 1935 Colorado Statutes Annotated, and is now rendering gas service in the "home-rule" city of Sterling and in the territory adjacent and contiguous to said city. Applicant has been rendering service outside the city of Sterling under a certificate issued by this Commission to a predecessor company in Application No. 11267, August 6, 1951, which certificate applicant obtained after a merger with the predecessor company as the surviving company, all duly authorized by this Commission. By the instant application, the Iowa Electric Light and Power Company seeks an extension to render gas service to residential and commercial customers which it proposes to serve from the high-pressure pipelines owned and operated by Natural Gas Producers, Inc., in Logan county, Colorado.

Natural Gas Producers is the holder of a certificate from this Commission which was obtained in Application No. 11228, August 8, 1951, authorizing the construction and operation of a natural gas transmission system in the counties of Logan and Morgan, Colorado, for delivery and sale of natural gas. Iowa obtains its gas from Natural Gas Producers, distributing said gas in Sterling and in the territory adjacent and contiguous thereto. The northern terminus of the 8-inch gas line owned by Natural Gas that supplies the city of Sterling is located approximately on the northern section

line of Sections 25 and 26, Township 11–North, Range 53–West, and the gas line extends from said section line in a southerly direction approximately 18 miles to the northeast quarter of Section 25, Township 8–North, Range 53–West, and thence easterly approximately 1½ miles to the city of Sterling. Natural Gas Producers also has a lateral 2-inch high-pressure gas line to serve an alfalfa mill that takes off from the 8-inch line previously mentioned in the southwest corner of Section 25, Township 9–North, Range 53–West, and extending approximately 6 miles easterly to the southeast corner of Section 26, Township 9–North, Range 52–West. The location of the above-described gas lines is more clearly shown on a map introduced by applicant at the hearing as Exhibit "A."

Applicant herein proposes to render gas service from the pipelines above described for residential and commercial uses and has obtained the consent of Natural Gas Producers for the rendering of this service. The area to be served from said pipelines will be within a radius of one mile from the beginning and ending of said pipelines and that area included within the territory extending one mile on each side of said pipelines and excepting therefrom the city of Sterling.

By the certificate obtained in Application No. 11268, Iowa Electric took over from Central States Electric, its predecessor, and as the successor company was authorized by this Commission to render gas service in the area adjacent and contiguous to the city of Sterling. Applicant was authorized to render gas service for residential, commercial, and industrial uses in said area. In the application now before the Commission, applicant desires to render only residential and commercial service in the area within one mile of the pipelines but desires to retain the industrial service heretofore granted in the area contiguous to Sterling in its previous certificate. At the hearing, applicant requested that if the Commission granted the instant application, that it be consolidated with the certificate now held by applicant.

[1, 2] Witness for applicant at the hearing testified that the company has had numerous requests for gas service in the area adjacent to the pipelines owned by Natural Gas Producers, particularly, since many of the property owners permitted rights of way for the pipeline with the hope that they would eventually obtain natural gas. Natural Gas Producers, Inc., is primarily a transmission company and does not desire to render residential and commercial service from its transmission line but it will render service to industrial customers from its lines. An estimate was made by the witness that there would be approximately two customers per mile wanting service along the pipelines. In order to render this service, it will be necessary to set three regulators—two of which will be located on the pipeline to reduce the pressure to approximately 5 pounds, at which pressure it will be distributed to a third regulator on the customer's property, which will make the final step in the pressure reduction for service.

The company proposes to charge the customer for the cost of the two regulators necessary to reduce the pressure from transmission to distribution level, the company to provide and own the third regulator which is placed just ahead of the company-owned meter.

The Commission has had the problem of service from a high-pressure gas transmission line before it on a previous occasion, and realizes that under certain conditions there is an extra cost to the company to render this type of service. If, however, the company owns all the equipment necessary to render gas service, the question of maintenance and replacement is taken care of and no question need arise in the future over ownership in the event a rate base has to be determined.

We believe, therefore, that rather than have the customer buy and own certain equipment the company should provide, install, maintain, and own all the equipment necessary for this service. The company should be permitted, however, to file a surcharge on its rate to apply under certain specified conditions for the rendering of gas service from high-pressure gas transmission lines. Accordingly, we shall order that the company own and provide all the equipment, but that it be permitted to file a rate with a surcharge subject to our approval.

There is no other public utility rendering gas service in the area other than Natural Gas Producers, and they have filed their consent to the instant application, said consent having been introduced as Exhibit "B" at the hearing, and, by reference, made a part hereof. The county commissioners of Logan county have urged that the instant application be granted, and have so stated in writing to the Iowa Electric Light and Power Company by letter dated October 8, 1952, and this letter was filed at the hearing as Exhibit "C."

No one appeared at the hearing in opposition to the granting of the authority sought.

The Commission finds:

That the above statement, by reference, should be made a part hereof.

That the request of applicant for the consolidation of the certificate now held by virtue of Application No. 11268, with authority requested herein, should be granted.

That applicant shall provide and own all the equipment, materials, and regulators necessary to render gas service to its customers.

That applicant should be permitted to file a surcharge in the rate under which it proposes to render gas service from high-pressure gas transmission lines, to be applicable under certain specified conditions, the rate as filed to be subject to our final approval.

That public convenience and necessity require the granting of the authority sought.

ORDER

The Commission *orders:*

That public convenience and necessity require, and will require, the furnishing of gas for heat, power, and other purposes in the territory extending one mile on each side of, and in a radius of one mile from the ends of, the 8-inch high-pressure line and 2-inch extension thereof, now owned and operated by Natural Gas Producers, Inc., in Logan county, Colorado, as more fully shown on Exhibit "A," which exhibit, by reference, is made a part hereof, for residential and commercial uses only, and for the rendering of gas service for residential, commercial, and industrial uses in the suburban territory, tributary, and adjacent to the city of Sterling by the

Iowa Electric Light and Power Company, and this order shall be taken, deemed, and held to be a certificate of public convenience and necessity therefor.

That applicant shall continue to odorize all gas in its distribution mains supplying gas in the suburban territory, tributary and adjacent to the city of Sterling supplied by the extension of the distribution system from said city.

That applicant shall, at least ten days before any gas is sold to customers from the high-pressure gas transmission lines owned by Natural Gas Producers, Inc., file with the Commission its rate schedules, rules, and regulations under which it proposes to render said gas service.

That the rate to be filed by applicant may contain a surcharge to apply under certain specified conditions for the rendering of gas service from the high-pressure gas transmission lines owned by Natural Gas Producers, Inc., located in Logan county, Colorado, said surcharge and conditions to be approved by the Commission by acceptance of said rate when filed.

That applicant shall continue to keep its books and accounts in accordance with the Uniform System of Accounts for Gas Utilities, and all its practices as to meter testing, records of meters, complaints, customers' deposits, and operation shall be in compliance with the requirements of this Commission.

That this order shall become effective twenty-one days from date.

CIVIL AERONAUTICS BOARD

Re Island Air Ferries, Incorporated

Docket No. 5083
October 31, 1952

APPLICATION *by air ferry corporation for renewal of operating authority for the transportation of passengers and property; denied.*

Certificates of convenience and necessity, § 135 — Renewal — Air carriers — Financial qualifications.

1. The Civil Aeronautics Board declined to renew the certificate of convenience and necessity of an air ferry corporation on the ground that the applicant did not appear fit, willing, and able to render the proposed service because the record offered to the Commission indicated no likelihood of the corporation obtaining the financial resources required to operate the route, p. 93.

Certificates of convenience and necessity, § 77 — Qualifications of air carrier — Financing agreement.

2. A "best efforts" agreement with a security corporation in which the corporation agrees to attempt to sell the common stock of an air carrier in order to finance the carrier's operation is not in and of itself sufficient assurance

of the financial ability of the carrier to operate to permit the Civil Aeronautics Board to renew the carrier's operating certificate, p. 93.

Certificates of convenience and necessity, § 77 — Financial condition of carrier.

3. An air carrier's application for renewal of its certificate was denied for lack of financial backing where the only certain money available to the corporation would result from operating the concession at the air field where the carrier was based, p. 93.

(LEE and ADAMS, Members, dissent.)

APPEARANCES: Edward A. Silliere and Robert R. Cardany, for Island Air Ferries, Inc.; L. Welch Pogue and James Bell, for Metropolitan Air Commuting, Inc.; John Carver, for Robinson Airlines Corporation; James M. Landis, John Marshall, and Kenneth Simon, for New York Airways, Inc.; Ronald H. Cohen, Charles W. Singer, and Roland E. Ginsburg, for Bureau of Air Operations, Civil Aeronautics Board.

By the BOARD: This proceeding involves the application of Island Air Ferries, Inc. (Island), for the renewal of its certificate of public convenience and necessity for route No. 89 authorizing it to engage in air transportation of persons and property, but not mail, for a period of three years, from its base at Islip, New York (MacArthur Field), to Rye Lake, New York, and to near-by points on Long Island and southern New England.[1] Permission to intervene was granted to Metropolitan Air Commuting, Inc., Robinson Airlines Corporation (now Mohawk Airlines), and New York Airways, Inc. After due notice to the public and to all interested parties, a public hearing was held in Washington, D. C., before examiner Barron Fredricks, whose initial decision was served upon all parties on July 23, 1952. The examiner found that the applicant was not fit, willing, and able to provide the service required by the authorization which it was seeking to have renewed. Exceptions to this report and a brief in support thereof have been filed by the applicant. Oral argument has been had and the case is now before us for decision.

[1–3] After consideration of the entire record in the proceeding, we agree with the examiner's conclusion that the applicant is not "fit, willing, and able."[2] We have decided to adopt as our own, except as modified herein, the findings, conclusions, and recommendations set forth in the initial decision of the examiner, which is attached hereto as an appendix. [Omitted herein.]

Notwithstanding the examiner's view that Island's failure to inaugurate operations during the life of the certificate indicates the applicant's lack of

[1] The route description is as follows:

1. Between the terminal point Rye Lake, N. Y., the intermediate points LaGuardia Field and Idlewild Airport, both in New York, N. Y., Mineola, Islip, Westhampton, East Hampton, Montauk, Southold, and Fisher's Island, N. Y., and the terminal point New London, Conn.

2. Between the terminal point Islip, N. Y., the intermediate point Bridgeport, Conn., and the terminal point New Haven, Conn.

[2] Since the examiner was unable to find the applicant fit, willing, and able to render the service, he properly found no need to pass upon the question as to whether there is a present need for air service over the route.

fitness, willingness, and ability,[3] we feel it appropriate to note particularly the applicant's precarious financial status. On the record before us we can see no likelihood of Island obtaining the financial resources required to operate the route.

The applicant's balance sheet of December 31, 1951, is far from healthy. Current assets and current liabilities each total about $18,000—a one-to-one ratio. Moreover, the current assets consist of cash and accounts receivable in the amount of approximately $12,000, plus inventories (materials, supplies, fuel, oil, etc.) of over $5,000. The greater portion of the current liabilities involves one item: accounts payable, totaling $16,193.93. Thus, the accounts payable substantially exceed the total of the carrier's cash and accounts receivable.

As the examiner has pointed out, the balance sheet includes among the company resources such "assets" as capital stock expense and deferred air freight development expense. When these are excluded, the company's actual net worth is less than $6,000. Continued existence as any kind of entity would present difficulties. To embark on a program of scheduled air transportation of persons and property without additional money would be impossible. We turn, therefore, to the company's plans for obtaining additional funds.

It is anticipated that new money will be obtained through a "best efforts" agreement with the Hunter Securities Corporation, which has agreed to attempt to sell 284,000 shares of applicant's common stock at one dollar a share, 20 cents of which is to be retained by the securities company. For each five shares so sold, the securities company is also to receive a warrant permitting it to purchase at $1.25 per share, one additional share of stock at any time before June 1, 1956. This arrangement does not seem to us to offer such assurance of funds as will permit us to find the applicant financially fit. It is true that in the New York City Area Helicopter Case, Docket No. 946, et al., decided December 3, 1951,[4] a "best efforts" agreement constituted *part* of the financing plan of New York Airways, Inc. But that company also had firm commitments assuring new money from other sources aside and apart from the best efforts agreement. The record in that case also indicated the possible use of equipment loans if such were needed. The record before us is devoid of such assurances. The only certain money available is the profit that results from operating the concession at MacArthur Field.[5] Such prospects are not sufficient to permit us to find financial fitness.

Based on the foregoing, and all the facts of record, we find that the public

[3] In finding that the applicant is not "fit, willing, and able," the examiner stated that the applicant's failure "to inaugurate the experimental service that its certificate obligated it to provide is sufficient to demonstrate the applicant's lack of fitness, willingness, and ability to provide that service and to require denial of the requested renewal." While the failure to inaugurate the experimental service is a significant fact bearing on the applicant's fitness, willingness, and ability, that alone would not require a finding of unfitness.

[4] Order Serial No. E-5908.

[5] In the calendar year 1951 the company reports a profit of $4,102.18, from *all* operations. The gross revenue for that year was $22,222.22, of which only $7,559.89 is reported as deriving from "Nonscheduled transport service." The remaining revenue results from operation of the concession and miscellaneous activity.

convenience and necessity do not require the renewal of the certificate held by Island Air Ferries, Inc., for route No. 89.[6]

An appropriate order will be entered.

Nyrop, Chairman, Ryan, Vice Chairman, and Gurney, Member of the Board, concurred in the above opinion. Lee and Adams, Members, filed the attached dissenting opinion.

LEE and ADAMS, Members, dissenting: We dissent from the majority's refusal to renew the temporary certificate of public convenience and necessity of Island Air Ferries, Inc., for route No. 89 because we believe that since the carrier does not have mail pay it should be given a longer experimental and developmental period, particularly in view of its present cargo services being performed in the public interest.

ORDER

A full public hearing having been held in the above-entitled proceeding, and the Board, upon consideration of the record, having issued its opinion containing its findings, conclusions, and decision, which is attached hereto and made a part hereof,

It is *ordered,* That the application of Island Air Ferries, Inc., for renewal of its temporary certificate of public convenience and necessity for route No. 89, be and it is hereby denied.

[6] In view of our decision to deny the application herein, we need not pass upon the question whether the applicant's certificate for route No. 89 has remained in effect by virtue of § 9(b) of the Administrative Procedure Act, and the filing of the renewal application. Nor need we consider whether the passenger fares proposed by applicant would be unjustly discriminatory.

COLORADO SUPREME COURT

City of Colorado Springs

v.

Public Utilities Commission et al.

No. 16741
— Colo —, 248 P2d 311
September 8, 1952

EN BANC. WRIT OF ERROR *directed to lower court judgment holding municipal water plant extraterritorial service subject to Commission jurisdiction; reversed and remanded with directions. For lower court decision, see (1950) 86 PUR NS 57; for Commission decisions, see (1949) 81 PUR NS 129, 142.*

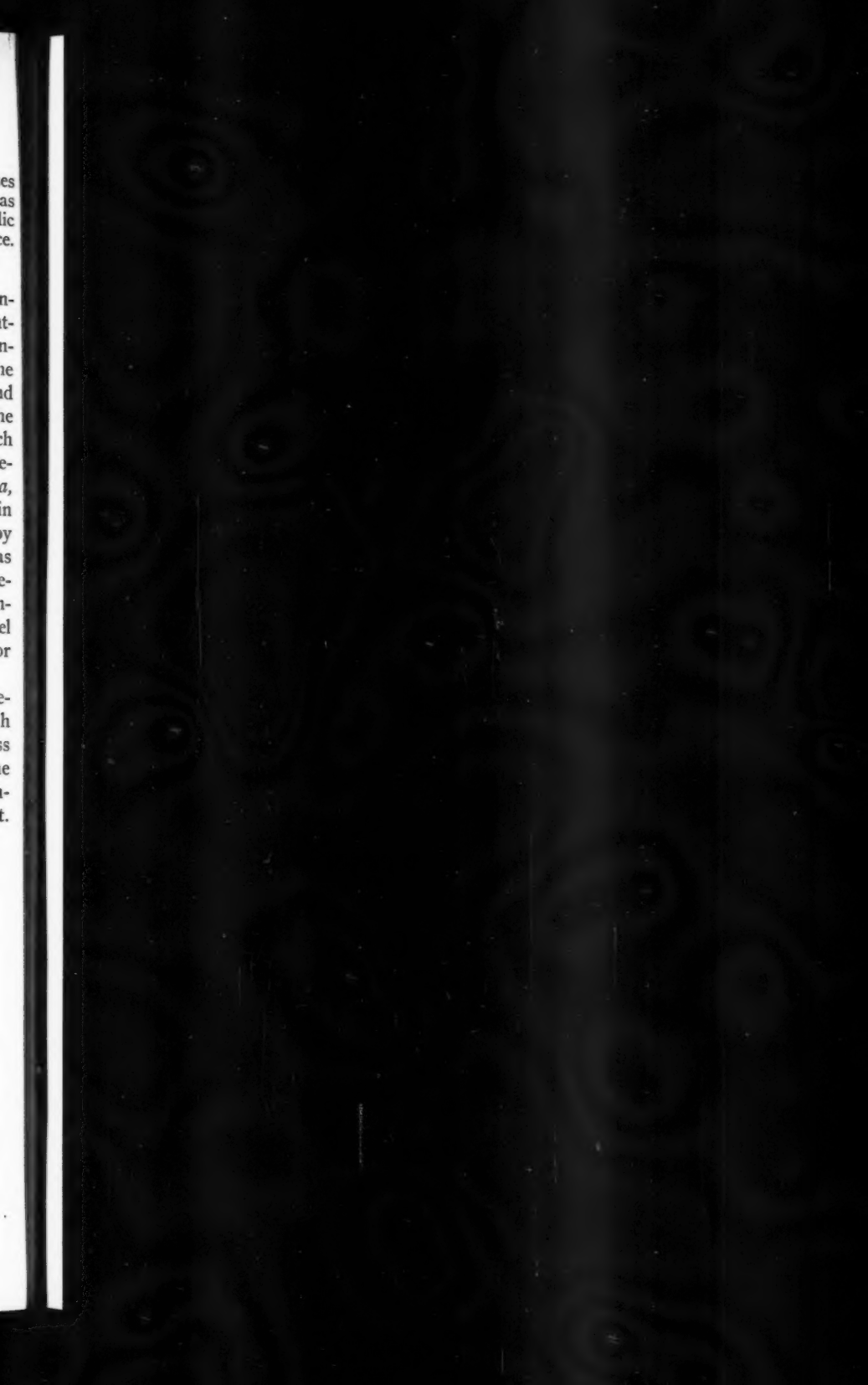
Public utilities, § 57 — Municipal plant — Extraterritorial service.

A municipal water plant holding itself out to sell water for domestic uses indiscriminately to residents outside corporate limits, in an area described as the suburbs or fringe territory in areas close to its pipelines, is not a public utility subject to Commission jurisdiction as to such extraterritorial service.

APPEARANCES: F. T. Henry, Louis Johnson, Colorado Springs, for plaintiff in error; Duke W. Dunbar, Attorney General, H. Lawrence Hinkley, Deputy Attorney General, Ralph Sargent, Jr., Assistant Attorney General, for defendants in error.

PER CURIAM: This cause is pending on a writ of error directed to a judgment of the district court rendered on September 11, 1950, 86 PUR NS 57, in which the trial court determined that the city of Colorado Springs, a home-rule city, in furnishing water to customers outside its municipal boundaries, is a public utility and subject to the jurisdiction of the Public Utilities Commission of Colorado. Subsequent thereto and on February 19, 1951, our court, by a unanimous decision to which no petition for rehearing was filed, in the case of Englewood v. Denver (1951) 123 Colo 290, 229 P2d 667, determined that the city and county of Denver, in supplying water outside of its corporate limits, under generally similar circumstances as in the case at bar, was not a public utility and not subject to the jurisdiction of the Public Utilities Commission as to such service. It is our opinion that the decision in Englewood v. Denver, *supra*, is controlling in the present case in every respect. This view is shared by counsel for plaintiff in error as well as the attorney general, appearing for defendants in error, who has filed a confession of error and joins with counsel for plaintiff in error in his request for a reversal of the judgment.

Accordingly, the judgment is reversed and the cause remanded with directions to the trial court to dismiss the action and remand the case to the Public Utilities Commission with instructions that it dismiss the complaint.



Industrial Progress

A digest of information on new construction by privately managed utilities; similar information relating to government owned utilities; news concerning products, supplies and services offered by manufacturers; also notices of changes in personnel.

Bell of Pennsylvania Will Spend $78,500,000 This Year

More than $78,500,000 will be spent this year on expansion and improvements by the Bell Telephone Company of Pennsylvania, W. D. Gillen, president, announced recently. This is slightly more than the $77,843,000 expended during 1952, which brought the post-war gross construction total above $450,000,000.

The 1953 program includes central office additions sufficient to provide service for about 135,700 new subscribers in addition to facilities to handle many million additional calls. Construction on thirty-three new buildings will be started this year while additions to existing buildings will be started in twenty-two locations. Central office equipment additions are scheduled for 252 offices, compared with 161 in 1952.

H. K. Porter Company, Inc., Elects Vice President

Jackson Kemper has been elected vice president, H. K. Porter Company, Inc., Pittsburgh, it was announced recently by T. M. Evans, president.

Mr. Kemper will continue in his present capacity as general manager, Watson-Stillman Fittings Division of the Porter Company located at Roselle, New Jersey. All operating and sales activities of this division are under his supervision.

Huerkamp Heads Street Lighting Safety Bureau Committee

Edward C. Huerkamp, manager of the application engineering department of the Westinghouse Electric Corporation's Lighting Division, has been named chairman of the executive committee of the National Street and Traffic Lighting Safety Bureau.

The National Street and Traffic Lighting Safety Bureau carries on an extensive program of public information and promotional effort to alert the public regarding the excessive cost in human life, crime, and property damage that results from inadequate street lighting.

Mr. Huerkamp, who has been associated with Westinghouse since 1928, has been a leader in the nation's lighting industry for nearly 30 years.

Ohio Power Plans 150-mile Line

Ohio Power Company, Canton, Ohio, has announced that it plans to start work at once on a $12,000,000 high voltage power line.

The 330,000-volt transmission line will extend 156 miles from a new generating station under construction north of Beverly, Morgan County, to a point near Lima.

Eventually, this line will become a part of the high-voltage network linking a seven-state area served by the American Gas & Electric system, of which Ohio Power is a unit.

A-C Bulletin

Construction features of Allis-Chalmers supporting-adapter type, close-coupled general purpose pump in capacities to 2500 gpm at heads to 550 feet are described and shown in a new bulletin released by the company.

Compact and requiring a minimum of space, the pump is available in a choice of packing or mechanical seal, and in a choice of materials, according to the bulletin.

Copies of "Allis-Chalmers Close-Coupled Pumps," 52B6083A, are available on request from Allis-Chalmers Manufacturing Company, 965 S. 70th street, Milwaukee, Wisconsin.

New Electrical Instrument Data Sheet

A new quick reference data sheet covering a complete line of electrical measuring instruments is announced. This sheet lists models for insulation resistance, ground resistance, and high voltage testing plus other special purpose instruments. Copies may be obtained without charge from Associated Research, Incorporated, 3758 W. Belmont avenue, Chicago 18, Illinois.

New Weed-Killer

The Eston Chemicals Division of American Potash & Chemical Corporation in Los Angeles, has announced the immediate availability of a new and improved non-selective herbicide being marketed under the trade name of Tumble-Weed 25, with wide uses as a weed killer and soil sterilant.

According to the announcement, the herbi-

(*Continued on page 26*)

cide is a scientifically compounded material containing 25 per cent sodium chlorate and a minimum of 75 per cent soluble borates plus a wetting and spreading agent. Properly applied the herbicide is said to kill weeds and grasses and leave the soil sterile for a year or longer.

The product is to be marketed on a national basis through the Eston and American Potash & Chemical sales organizations. Robert Finch, of American Potash & Chemical Corporation in Los Angeles, is spearheading the sales development work.

G-E Offers Booklet on Metallic Rectifier Power Conversion Units

A NEW two-color booklet describing General Electric's complete line of metallic rectifier power conversion units has been announced as available from the company, Schenectady 5, New York.

The illustrated 8-page bulletin, GEA-5658A, contains design features, performance, circuits, applications and advantages of the G-E line. A chart of the dimensions, ratings, and weights is also included.

Demineralization and Silica Removal by Ion Exchange

To help explain one of the newer roles that ion exchangers are playing in industry, The Permutit Company, 330 West 42nd street, New York 36, New York, has prepared a 28-page bulletin, "Demineralization including Silica Removal by Ion Exchange."

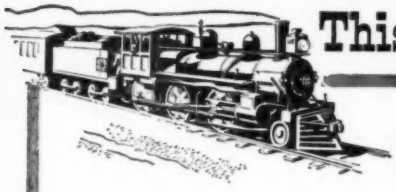
According to the bulletin, due to its extremely economical operating costs, as compared with distilled water, demineralization and silica removal through the medium of ion exchange resins has come into very extensive use in all phases of industry, including the power plant field.

This new bulletin, 3803, describes the chief applications, principles of operation, design features, advantages, recommendations and specifications of Permutit's demineralizing and silica removal apparatus and synthetic resins.

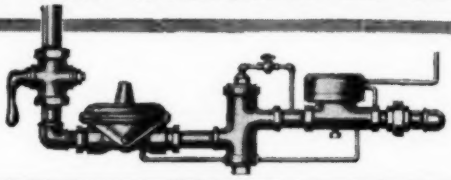
Servel Utility Division Appoints Southern Chief

PAUL R. KENNEDY of Arlington Heights, Ill., has been appointed southern manager for the public utility division of Servel, Inc., with headquarters in Atlanta, it was announced recently by James F. Donnelly, Servel's vice president in charge of sales.

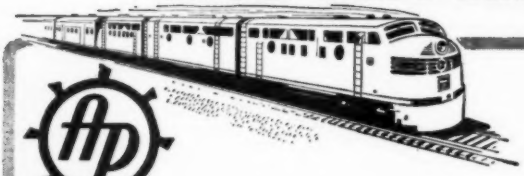
Mr. Kennedy will be in charge of the company's relations with utility companies throughout the South. Servel's public utility division was created last summer in line with the company's policy of establishing closer liaison with utility managements.



This was wonderful in '93

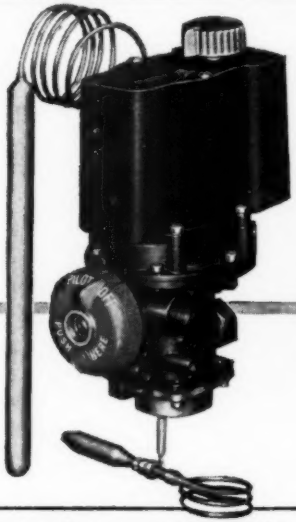


...but here's what you want today!



GASAPACK

Space-Heater Control



It's easy to see the difference between old-fashioned methods of gas control and this up-to-date Model 54 Gasapack. Used on modern space heaters, it gives you many sales and operating advantages.

For example, the new "Comfort Snap" control — instantly added to any A-P Model 54 Manual Gasapack — converts it immediately to automatic temperature control.

It modulates from high to low fire . . . then quietly snaps off if no further heat is needed. When heat is again required, the control snaps the fire back to at least 50% of high fire . . . then modulates to suit temperature demands.

Silent, smooth and trouble-free, this *silent* control eliminates fluttering and popping of flame — bans chattering, groaning and vibration. Write for Bulletin 6220 today.

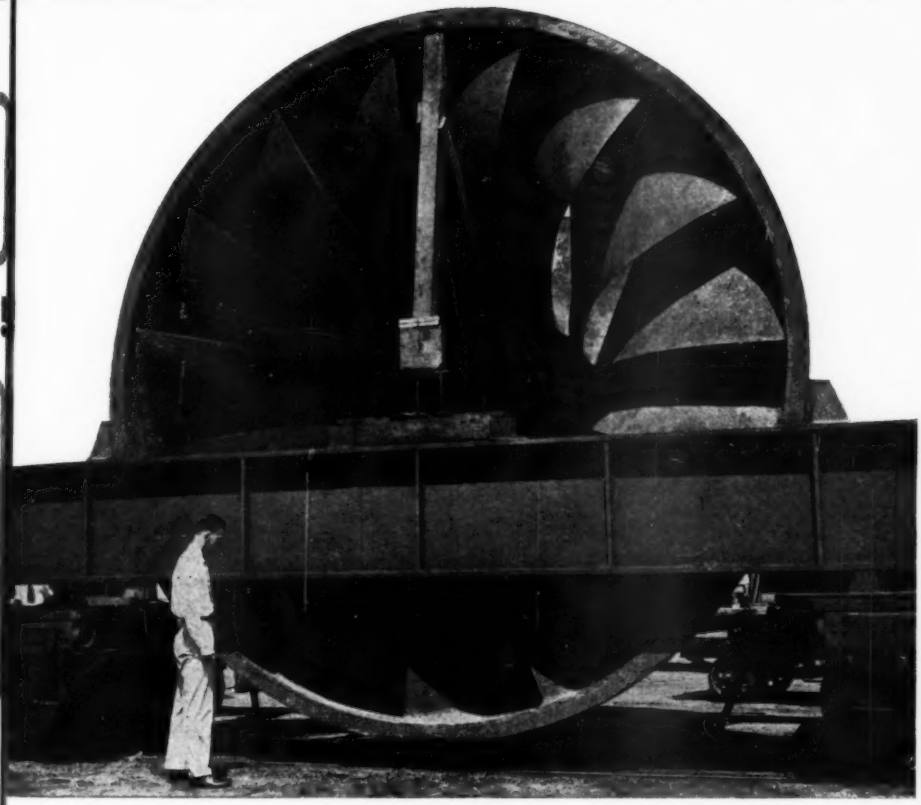
Here's what you get with the "Comfort Snap" Control

- All the advantages of the Model 54 Gasapack — plus fully automatic control.
- No wiring: no wall thermostat. Attached to manual Gasapack in only a few minutes.
- Completely automatic action; modulation from high to low fire.
- If low fire furnishes too much heat, burner snaps off — but SILENTLY!
- Sensitive vapor-charged thermo-bulb efficiently regulates burner operation.
- There's no "bang-on... "bang-off." You get no hums, clicks or chatter— no fluttering or popping.
- Maintains constant, healthful room temperatures in any weather.
- Stimulates heater sales . . . insures customer satisfaction.

A-P CONTROLS CORPORATION

DEPENDABLE Controls

2400 N. 32nd Street, Milwaukee 45, Wisconsin
In Canada: A-P Controls Corporation, Ltd., Cooksville, Ontario



FACILITIES FOR THE SMALLEST OR THE LARGEST

The 225-acre Newport News plant includes plate steel and machine shops equipped with a complete variety of tools to fabricate items of water power equipment of any size. Contracts received by Newport News for hydraulic turbines with an aggregate rated output in excess of 8,000,000 horsepower have included units as high as 165,000 horsepower and as low as 500 horsepower.

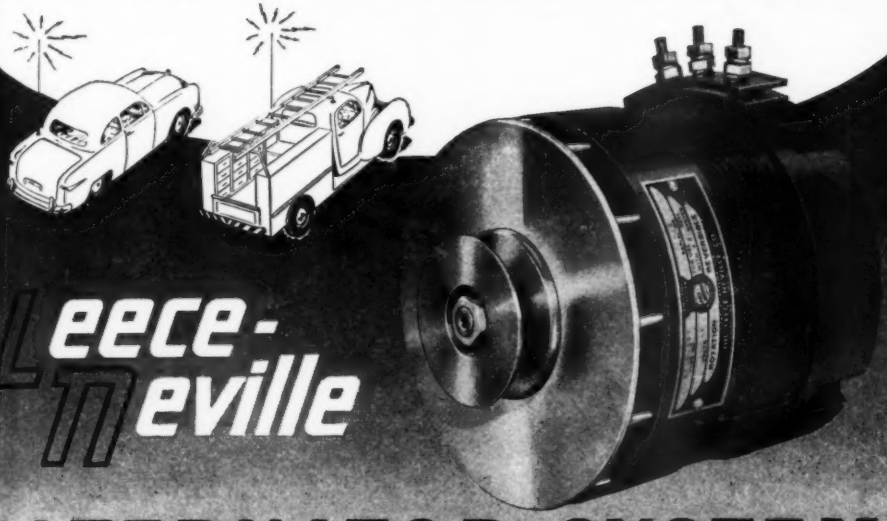
Supplementing the extensive facilities are the equally important experienced and skilled personnel at Newport News to design and build such equipment.

Your inquiries for hydraulic turbines of any size will receive prompt attention.

Write for illustrated booklet on water power equipment.

NEWPORT NEWS
SHIPBUILDING AND DRY DOCK CO.
NEWPORT NEWS, VIRGINIA

OVER 6 YEARS
PROOF OF PERFORMANCE



Leece-Neville
ALTERNATOR SYSTEM

SOME OF THE MANY UTILITIES USING THE LEECE-NEVILLE ALTERNATOR SYSTEM

Public Service Co. of New Mexico
Hydro Electric System, Winnipeg
Light & Water Department, Columbus, Miss.
Northwestern Electric Coop., Okla.
Corn Belt Electric Coop., Bloomington, Ill.
The California Electric Power Co., Riverside
The Dayton Power and Light Co.
Peoples Gas, Light and Coke Co., Chicago
Portland General Electric Co., Portland, Ore.
Jackson Electric Dept., Jackson, Tenn.
Quebec Hydro-Electric Commission

Since 1946 Leece-Neville AC-DC Alternator Systems have been delivering unmatched performance. On 2-way radio cars and trucks . . . or wherever current demands are high, L-N Alternators give:

- *25 to 35 amps with engine idling*
- *ample capacity to carry the entire electrical accessory load*
- *fully charged batteries always*
- *better radio operation*

There are L-N Alternator Systems rated at 50 amps and 80 amps for 6-volt systems; 60 to 150 amps for 12-volt systems.

Ask us to arrange a demonstration of the L-N Alternator for your fleet. Or write for all the facts. The Leece-Neville Company, Cleveland 14, Ohio. *Distributors in principal cities . . . Service Stations everywhere.*

YOU CAN RELY ON Leece-Neville

Heavy Duty Automotive Electric Equipment for Over 43 Years

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• This Directory is reserved for engineers, accountants, rate experts, consultants, and others equipped to serve utilities in all matters relating to rate questions, appraisals, valuations, special reports, investigations, financing, design, and construction.

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Why you can place full confidence in R FEED PUMPS by Pacific

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IT'S A MATTER OF RECORD

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IT'S A MATTER OF RECORD

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Pacific Boiler Feed Pumps are fabricated from materials carefully selected for specific functions . . . steel forgings for structural strength and stability . . . alloy steels for hardness . . . resistance to wear and to corrosion-erosion.

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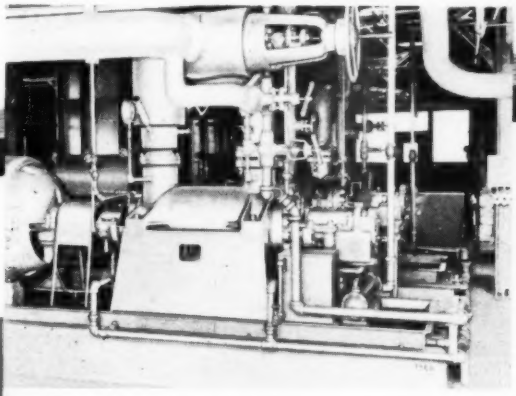

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